HANSFORD
ECONOMIC CONSULTING

Salinas Valley Basin Groundwater Sustainability Agency

2018 Regulatory Fee Study

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FINAL

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ACRONYMS

CPUC – California Public Utilities Commission

DWR – California Department of Water Resources

ET – Evapotranspiration

GIS – Geographic Information System

GSA – Groundwater Sustainability Agency

GSP – Groundwater Sustainability Plan

JPA – Joint Powers Authority

MCWD – Marina Coast Water District

SVBGSA – Salinas Valley Basin Groundwater Sustainability Agency

SGMA – Sustainable Groundwater Management Act

FEE STUDY PREFACE

The Salinas Valley Basin Groundwater Sustainability Agency commissioned this study to establish a new regulatory fee sufficient to generate revenues that will support the typical annual operation costs of its regulatory program authorized by SGMA, including the development of groundwater sustainability plans, for which it is tasked. The fee study consultant team that prepared this report includes:

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The analyses, opinions, and findings contained within this report are based on primary data collected through interviews and research, as well as many sources of secondary data available as of the date of this report. Updates to information obtained for this report could change or invalidate the findings contained herein. While it is believed that the secondary sources of information are accurate, this is not guaranteed.

This report should be utilized strictly for the purposes of the scope and objectives of the commissioned study. We appreciate working with staff in the development of this fee study and wish to thank the Board of Directors, Advisory Committee, and all of the stakeholders who helped shape the new Salinas Valley Basin Groundwater Sustainability Agency regulatory fee.

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Section 1: EXECUTIVE SUMMARY

1.1 INTRODUCTION

The Salinas Valley Basin Groundwater Sustainability Agency (SVBGSA or Agency) is a Joint Powers Authority (JPA) established in 2017 in fulfillment of California's Sustainable Groundwater Management Act (SGMA)[1]. SGMA provides for the local regulation of groundwater by requiring that all groundwater basins in the State of California be managed by a Groundwater Sustainability Agency (GSA). Bulletin 118, circulated by the California Department of Water Resources (DWR), identifies the groundwater basins and sub-basins to be managed, and designates their priority status. Groundwater sustainability plans (GSP) must be developed for high and medium-priority basins to demonstrate how sustainability will be achieved by the year 2040. Critically over-drafted basins must have a GSP prepared by January 1, 2020. High and medium priority basins not critically over-drafted must have GSPs prepared by January 1, 2022.

SGMA defines sustainable groundwater management as the management and use of groundwater in a manner that can be maintained during the planning and implementation horizon without causing undesirable results[2]. The six undesirable results are:

1. Chronic lowering of groundwater levels,
2. Significant and unreasonable reduction of groundwater storage,
3. Significant and unreasonable seawater intrusion,
4. Significant and unreasonable degradation of water quality,
5. Significant and unreasonable land subsidence, and
6. Surface water depletions that have significant and unreasonable adverse impacts on beneficial uses of surface water.

The SVBGSA was formed to manage groundwater in seven hydrographic sub-basins of the Salinas Valley Basin: (1) Monterey, (2) 180/400 Foot, (3) East Side, (4) Forebay, (5) Langley, (6) Upper Valley, and (7) Paso Robles.

Portions of these hydrographic basins excluded from SVBGSA's management are the jurisdictional boundaries of the Marina Coast Water District (MCWD) (a very small portion of the 180/400 Foot Aquifer and a small portion of the Monterey Aquifer) and the jurisdictional boundaries of the City of Greenfield (portion of the Forebay aquifer), both of which have formed separate GSAs[3]. In addition, federal lands are exempt from SGMA[4].

[1] The SVBGSA is a completely separate entity from the Monterey County Water Resources Agency.
[2] Water Code 10721.
[3] The SVBGSA and the MCWD GSA have been negotiating for a management area in the Monterey Aquifer that will be managed by the MCWD GSA; that portion of the MCWD in the 180/400 Foot Aquifer will be managed by the SVBGSA. The SVBGSA and the City of Greenfield GSA (called the Arroyo Seco GSA or ASGSA) are currently in discussions about creating a management area in and around the City of Greenfield that would be managed by the ASGSA.
[4] Water Code 10720.3.

Currently, the Forebay sub-basin is designated as medium-priority. All of the other sub-basins are designated high-priority, and the 180/400 Foot and Paso Robles sub-basins are in critical overdraft.

In April 2018, the SVBGSA filed a boundary modification that would move the Paso Robles sub-basin, which currently straddles Monterey and San Luis Obispo counties, to the Monterey County (County) line. This change would add the portion of the Paso Robles sub-basin in Monterey County to the Upper Valley sub-basin. The Upper Valley sub-basin would maintain high-priority status without critical overdraft, and the SVBGSA would have six sub-basins to manage.

1.2 Fee Setting Authority and Purpose of the Fee Study

The SVBGSA has the authority to charge fees, conduct investigations, register wells, require reporting, and take other actions to sustainably manage the sub-basins. The JPA's eight signatories agreed to fund the first two years (fiscal year 2017/18 and fiscal year 2018/19) of SVBGSA operations. The eight signatories are:

1. Monterey County	5. City of Soledad
2. Monterey County Water Resources Agency	6. King City
3. City of Salinas	7. Castroville CSD
4. City of Gonzales	8. Monterey One Water

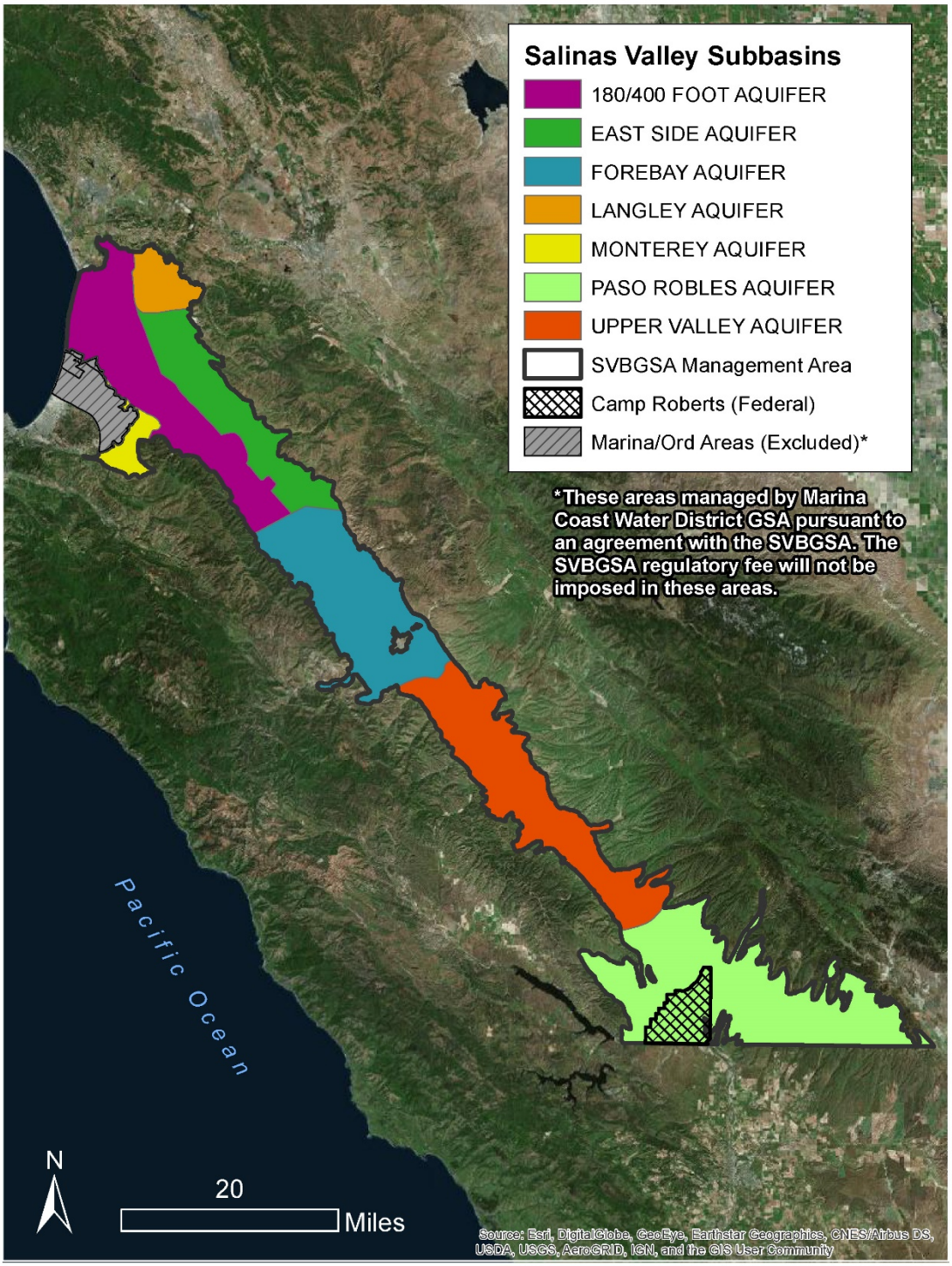
The member-funded budget for the SVBGSA is $2.29 million for the first two fiscal years. Member contributions were agreed to, and they are not the same for all members. In addition, private-sector agricultural interests paid for $500,000 of the County's total $1.34 million contribution. The member agencies have no obligation to contribute beyond these two fiscal years. A new regulatory fee, which is the subject of this report, will be imposed that will replace member contributions, and over time, could reimburse those initial contributors.

The SVBGSA regulatory fee will be imposed within the SVBGSA management area, which is illustrated in **Map 1** on the following page. A Geographic Information System (GIS) platform was developed as part of this study and is accessible at https://arcg.is/SnKuL; this tool can be used to zoom into view areas of particular interest within the SVBGSA management area.

The SVBGSA's regulatory fee will not be collected in the MCWD GSA management area (generally that portion of the Monterey sub-basin north of Highway 68); the MCWD GSA will collect fees in this area to pay for its regulatory costs. The MCWD GSA will manage those areas shown in gray with stripes on the map pursuant to an agreement with the SVBGSA. The SVBGSA's regulatory fee will also not be collected within the jurisdictional boundaries of the City of Greenfield (the ASGSA), although, as mentioned in footnote 3, the ASGSA and the SVBGSA are in discussions concerning the creation of a management area that would be managed by the ASGSA. Implementation and collection of the SVBGSA's regulatory fee in such case is yet to be determined. Until such time as an agreement is reached, the SVBGSA's

regulatory fee will be imposed on properties in the unincorporated area outside the jurisdictional boundaries of the City of Greenfield.

Map 1
SVBGSA Groundwater Management Area



Map 2 on the next page shows federal lands exempt from the SVBGSA regulatory fee. In addition to Camp Roberts (Department of Defense) in the very southern portion of the County, there is property owned by the US Fish and Wildlife Service on the coast, and some small pockets of land owned by the Bureau of Land Management that are too small to show up on the map. Due to its large size, Camp Roberts is shown in all the maps in this report; however, all federal properties are excluded from the SVBGSA regulatory fee calculation and will not be charged the fee.

Water Code and Proposition 26

Water Code Sections 10730, 10730.1 and 10730.2 set forth the authority for the SVBGSA to set fees. The fee being considered in this report is a regulatory fee authorized by Water Code Section 10730 and it is exempt from voter approval, as it is not a tax pursuant to California Constitution Article XIIIC (Proposition 26, Section 1(e)(3)[5]). The fee may be charged to pay for "reasonable costs" of a regulatory program. The fee must be proportional and related to benefits of the program.[6]

This report documents the methodology, public outreach, and Fiscal Year 2019/20 new SVBGSA regulatory fee proposed to fund the regulatory activities of the SVBGSA. The fee will only fund regulatory activities of managing groundwater to sustainability (such as GSP development), day-to-day administrative operations costs, and prudent reserves. All beneficiaries of groundwater sustainability will be charged the fee with the exception of federal lands, tribal lands, and de minimus users[7]. De minimus users are domestic well owners pumping less than two acre-feet per year per parcel; domestic use excludes any commercial activities[8]. Revenue from the fee will not be available to pay for other operational costs (such as providing water service) or for infrastructure or resource capital costs.

SVBGSA JPA Board Approval Requirements

In order for the regulatory fee to be implemented, there must be a Super Majority Plus Vote of the Board of Directors (Board). The eleven-member Board of Directors includes representatives of the JPA members as well as representatives of agriculture, the environment, rural residential areas and disadvantaged communities. A Super Majority Plus Vote means the affirmative vote of eight directors then present and voting at the meeting, and the affirmative vote of three of the four agricultural directors.

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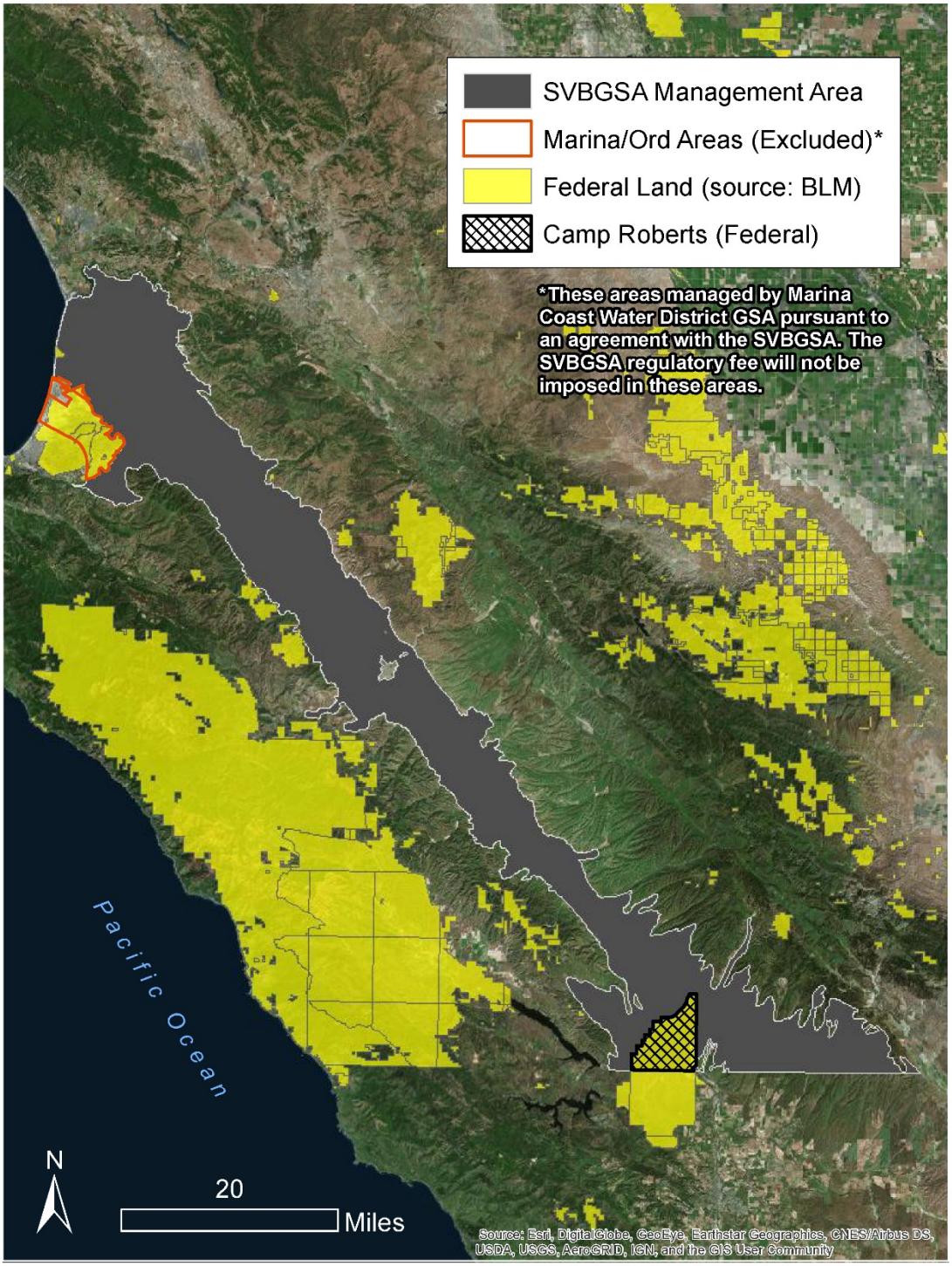
[5] "As used in this Article, "tax" means any levy, charge, or exaction of any kind imposed by a local government, except the following: . . . (3) A charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof. . . ."

[6] The fee might also be considered not a tax because it is a charge imposed for the specific service or benefit of providing for a sustainable groundwater basin (California Constitution Article XIIIC, sections 1(c)(1) and 1(c)(2)).

[7] Pursuant to Water Code Section 10730 (a), the SVBGSA shall not impose a fee on de minimus extractors because the agency has not regulated de minimus extractors.

[8] Water Code section 10721(e).

Map 2
Federal Lands Exempt from the SVBGSA Regulatory Fee



If the SVBGSA fails to adopt a fee by June 30, 2019, the Agency is in jeopardy of dissolution. Section 11.10 of the Joint Powers Agreement, Section c) Failure to be Financially Sustainable states:

> In the event that the Agency does not take the necessary actions to create a sustainable revenue stream necessary to fully finance its operating budget by the end of Fiscal Year 2018-2019 this Agreement shall terminate and the Agency shall be dissolved, unless otherwise agreed to by amendment to this Agreement approved unanimously by all then-existing Members. In the event of such termination and dissolution the process of dissolution shall begin on July 1, 2019, and proceed as set forth in Section 11.10 (a) (ii).

In the event of dissolution, groundwater sustainability activities for the SVBGSA management area will be conducted by the State Water Board and State intervention fees will be imposed on all groundwater extractors in the basins (or portions of basins) that were managed by the SVBGSA. State management is undesirable; by adopting the proposed regulatory fee, stakeholders will maintain local control of groundwater management of the Salinas Valley.

1.3 PROPOSED FEE

Table 1 presents the proposed SVBGSA regulatory fee for Fiscal Year 2019/20. The cost basis for the fee calculation is $1.2 million. The cost includes annual regulatory activity operating expenses of SVBGSA (development of the GSPs, contract personnel to staff the Agency, legal counsel, and so forth). Agricultural beneficiaries are responsible for 90% of the Fiscal Year 2019/20 cost; All Other beneficiaries are responsible for 10% of the cost.

Table 1
Proposed SVBGSA Regulatory Fee

Sustainable Groundwater Beneficiary	Annual Fee FY 2019/20	
Agricultural	$4.79	per irrigated acre
All Other	$2.26	per service connection

The SVBGSA will adopt the fee in 2019 by resolution; subsequent updates to the fee may also be adopted by resolution. The 2019 resolution will establish the fee for Fiscal Year 2019/20 and establish the San Francisco Consumer Price Index as the annual fee inflator; however, the inflator will not be applied automatically. An annual review of the fee level will take into consideration current cash and budget projections, as well as any changes in fee methodology or changes in base data set(s) upon which the annual fees are calculated. The SVBGSA Board has the ability to revise the fee whenever necessary by following procedures in the California Constitution.

SECTION 2: CUSTOMER BASE AND OUTREACH PROCESS

2.1 SVBGSA CUSTOMER BASE

The SVBGSA customer base is diverse. Groundwater supports economic activities from small domestic scale to large industrial scale. More than 240,000 persons permanently inhabit the Salinas Valley, from the largely rural landscape of the South County to the more urbanized North County. The population swells as seasonal workers come to harvest crops during certain periods of the year.

Table 2 on page 9 shows the population of places within the SVBGSA management area (note that it includes almost 8,500 people incarcerated at the Soledad State Prison and Correctional Training Facility). Source data for this table is the most current demographic information available from the US Census, which is the 2017 5-year American Community Survey, accessible at https://factfinder.census.gov/faces/nav/jsf/pages/index.xhtml.

Of the total population, approximately three-quarters is Hispanic, with some communities almost exclusively Hispanic. On average there are 3.86 permanent persons in housing units; however, this varies. The persons per unit is very high for Soledad because of the prisons; it is very low in Moss Landing. The Statewide average is 2.97 persons per unit[9]. Monterey County has 3.35 persons per unit on average. The high number of persons per unit is indicative of a predominantly agricultural community. The only counties in California with persons per unit greater than Monterey County are Merced, Tulare, and Imperial counties.

Many of the communities in the Salinas Valley are classified as Disadvantaged by the State[10]. **Map 3** on the next page shows Disadvantaged areas within the SVBGSA's management area. The SVBGSA has representatives of Disadvantaged communities on both the Advisory Committee and the Board of Directors.

The customer base of the SVBGSA is all beneficiaries of sustainable groundwater management within the sub-basins for which GSPs will be developed to address sustainability. Beneficiaries include individuals, businesses, and government agencies, including the State of California. Beneficiaries may also include wildlife, riparian habitat and other environmental users of water in the Salinas Valley; however, for purposes of the regulatory fee, the beneficiary must either be the owner of irrigated agricultural land or the recipient of water service by a publicly or privately-owned water system.

[9] California Department of Finance E-5 Report for January 2018.
[10] The State defines Disadvantaged as the community having a median household income less than 80% of the Statewide median household income.

Map 3
Disadvantaged Communities in SVBGSA's Management Area

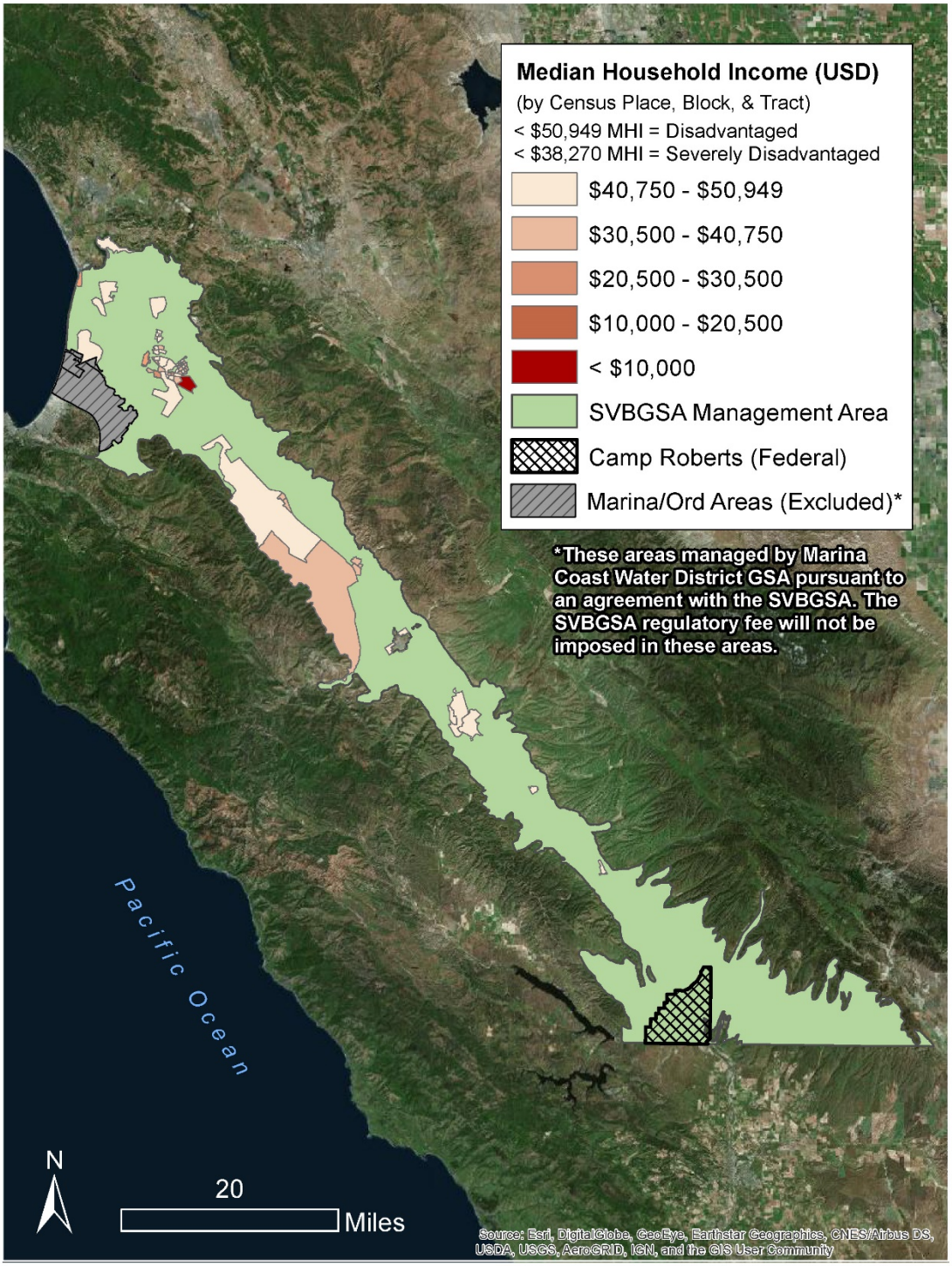


Table 2
Demographics of Communities in the SVBGSA Management Area

Census Place	Housing Units	Total Population	Persons per Unit	Hispanic Population	Percent Hispanic
Boronda	372	1,259	3.38	897	71%
Castroville	1,649	6,689	4.06	5,838	87%
Chualar	300	1,409	4.70	1,409	100%
Elkhorn	446	1,052	2.36	287	27%
Gonzales	2,033	8,462	4.16	7,947	94%
King City	3,349	13,721	4.10	12,433	91%
Moss Landing	53	55	1.04	21	38%
Pine Canyon	647	1,995	3.08	1,152	58%
Prunedale	6,279	20,928	3.33	11,478	55%
Salinas	42,253	156,811	3.71	121,133	77%
San Ardo	169	623	3.69	544	87%
San Lucas	90	346	3.84	273	79%
Soledad [1]	4,131	25,603	6.20	18,418	72%
Spreckels	232	562	2.42	65	12%
Total Salinas Valley	**62,003**	**239,515**	**3.86**	**181,895**	**76%**

Source: US Census Bureau 2017 5-Year ACS.

[1] Includes prisons.

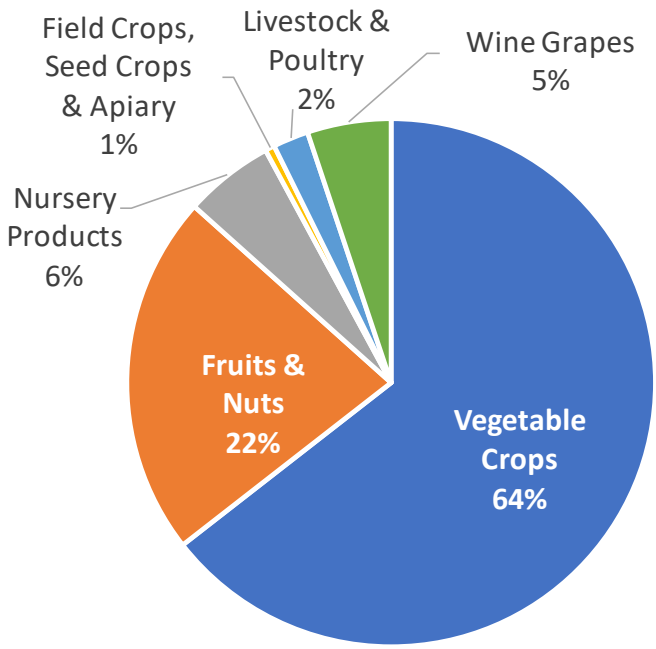
Industry

Economic activity in Monterey County is highly dependent on the availability of good quality water. The Salinas Valley is referred to as the "Salad Bowl of the World" due to its high-volume production of leafy greens.

Distribution of the County's $4.7 billion agricultural production value in 2017 is shown in **Figure 1** on the following page. Vegetable crops dominate agricultural production value.

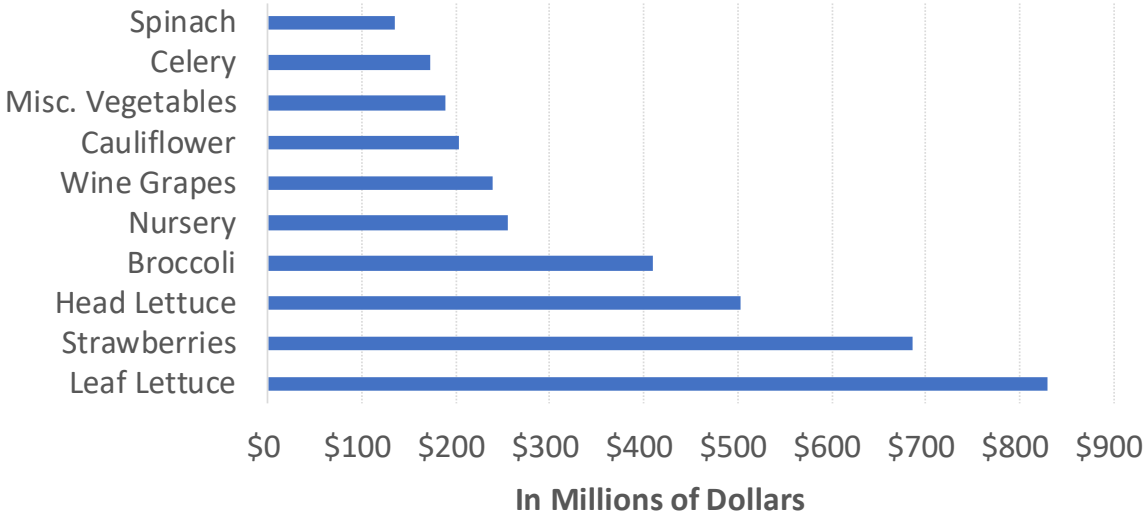
Figure 2 illustrates the top ten crops by production value in 2017. Lettuce and strawberries currently contribute the greatest crop production value to the County.

Figure 1
Agricultural Production Value



Source: Agricultural Commission 2017 Crop Report.

Figure 2
Top Ten Monterey County Crops by Production Value



In 2014, the Monterey County Agricultural Commission published a report "Economic Contributions of Monterey County Agriculture". This report examines the linkages between farm activity and other economic activity in the County, and specifically looks at the broader notion of how agriculture sustains the County's economy. Key findings of the report are:

- Agriculture provides a diversity that sustains economic stability within the County.

- Agriculture is promoting sustainability and prosperity by investing in technological innovation.

- Agriculture contributes $8.1 billion to the local economy; of which, $5.7 billion is direct output (representing 18.5% of the County's total direct economic output), and $2.4 billion is additional output by companies and individuals that provide supporting enterprises.

- In addition to crop production, there are linkage industries both supporting agricultural production and sorting, packaging and transportation of produce. Almost two-thirds of total employment in the County can be contributed in some way to agriculture through direct activity and multipliers of agricultural activity.

Not all, but most of the produce, is grown in the Salinas Valley. **Map 4** overlays the SVBGSA management area on top of the State's map of important farmland to illustrate that the vast majority of the agricultural activity in the County takes place in the Salinas Valley, and most of that is included in the SVBGSA management area.

Table 3 on page 13 shows that the major employment centers within the SVBGSA management area are the City of Salinas, followed by Prunedale, and the City of Soledad (including the State prisons).

Table 4, also on page 13, shows that the agriculture, forestry, fishing and hunting industry sector generates almost one-third of total jobs in Monterey County. These jobs are directly generated by agricultural activities (in contrast to two-thirds of total employment being either directly or indirectly generated by agriculture discussed above). Accommodation and food services, and health care and social assistance are the second and third largest job-generating sectors, respectively, after agriculture, in Monterey County.

Map 4
SVBGSA Management Area and California's Important Farmland

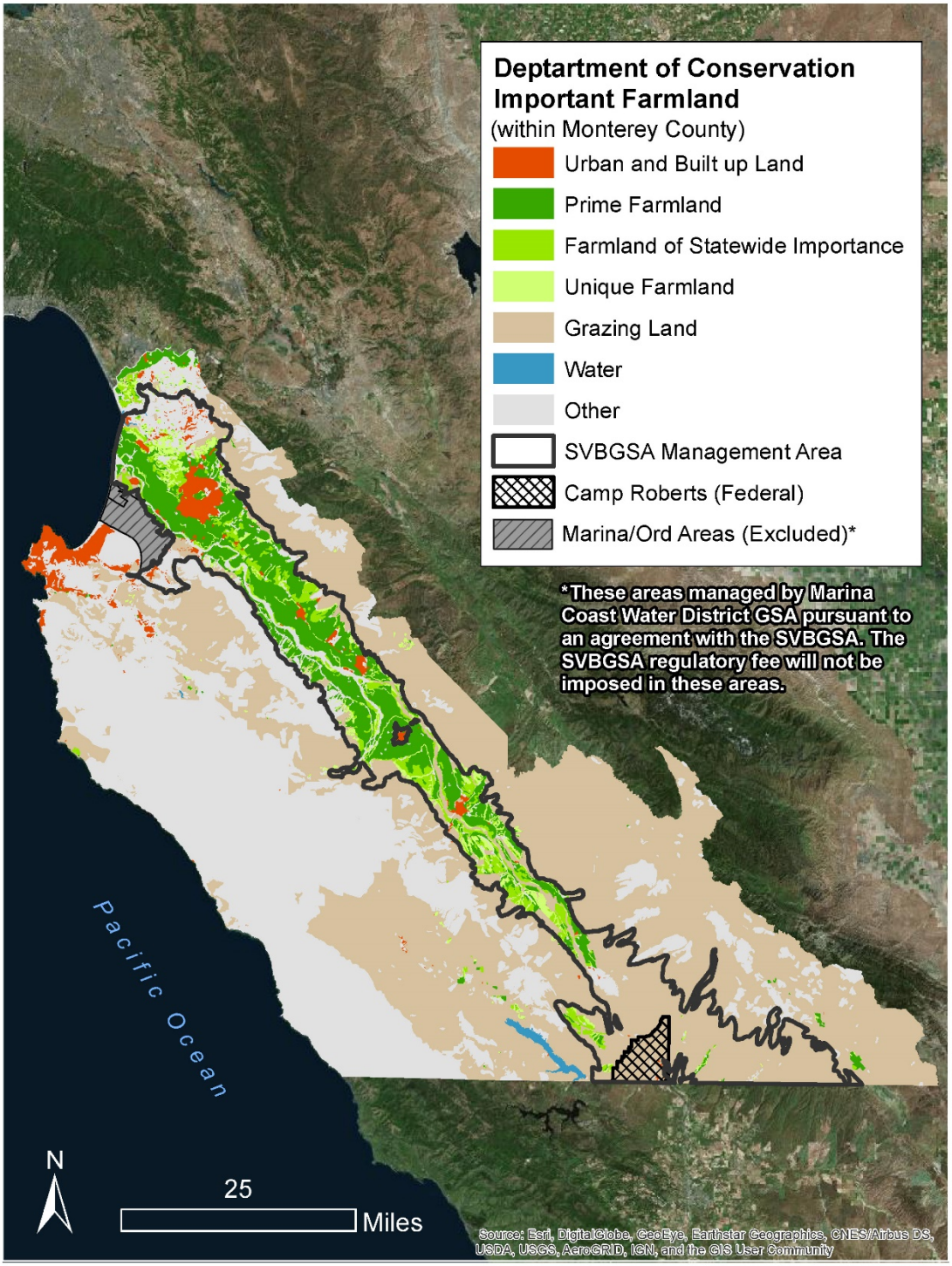


Table 3
Jobs by Census Place in Monterey County

Census Place	Inside SVBGSA Management Area?	Jobs	Distribution
Salinas	yes	48,292	32%
Monterey	no	22,859	15%
Prunedale	yes	9,889	7%
Soledad	yes	6,490	4%
Seaside	no	5,770	4%
King City	yes	3,954	3%
Gonzales	yes	3,486	2%
Marina	no	3,419	2%
Pacific Grove	no	3,140	2%
Greenfield	no	2,973	2%
All Other Census Places	possibly	11,072	7%
Remainder County	possibly	30,521	20%
Total		**151,865**	**100%**

Source: onthemap.ces.census.gov, using 2015 American Community Survey data.

Table 4
Jobs by Industry Sector in Monterey County

NAICS Industry Sector	Jobs	Distribution
Agriculture, Forestry, Fishing & Hunting	41,094	27%
Accommodation & Food Services	16,684	11%
Health Care & Social Assistance	16,253	11%
Educational Services	13,058	9%
Retail Trade	12,075	8%
Public Administration	9,762	6%
Administration & Support, Waste Mang't & Remediation	5,875	4%
Professional, Scientific & Techncial Services	5,379	4%
Manufacturing	5,305	3%
Construction	5,088	3%
All Other Sectors	21,292	14%
Total	**151,865**	**100%**

Source: onthemap.ces.census.gov, using 2015 American Community Survey data.

2.2 STAKEHOLDER OUTREACH

Key stakeholders were identified at the outset of this fee study. The fee study consultant team met with representatives from agriculture, city managers, land owners and Monterey County Water Resources Agency (MCWRA) staff. A public outreach plan was developed to guide the development and extent of outreach activities. Key messages were developed to incorporate into outreach materials, and a uniform messaging platform was developed in concert with an update to the SVBGSA's website.

In-person meetings and telephone conversations were held with key stakeholders representing various beneficiaries of sustainable groundwater management. These included: the Salinas Basin Agriculture Water Association, the Farm Bureau and Grower Shipper Association, Monterey Vintners and Growers, Landwatch and the League of Women Voters; large water providers Castroville CSD, Alco Water, and Cal Water; representatives from the cities of Salinas, King City, Soledad, and Gonzales; Coast Keepers, the Environmental Justice Coalition for Water, and individual farmers/ranchers.

The SVBGSA had an email database of interested persons/parties to which more than 125 contacts were added. The email database has been used to provide updates on the fee study, as well as to inform interested parties of upcoming public workshops and ways to be heard.

Initial public outreach efforts started in July 2018 with an email notification regarding the fee study. The email achieved a 40% open rate, which is considered high. Goals for the fee study were described as:

1. Establish a fair fee structure that the SVBGSA can adopt.
2. Secure a fee structure adopted with maximum buy-in from stakeholders.

In addition, a key tenant in developing the regulatory fee structure has been to maintain transparency throughout the project.

A concern raised multiple times in outreach efforts was that there are many absentee landowners in the Salinas Valley who would not be aware of the new regulatory fee unless they were contacted directly. To reach these landowners, more than 6,500 postcards were distributed to property owners with mailing addresses outside of the SVBGSA management area.

Another concern was that there are hundreds of small water systems, particularly in the north portion of the County, that would not be aware of the new regulatory fee unless they had signed up to receive notifications. A postcard was sent to approximately 800 water systems within the SVBGSA management area. The postcard provided information on how to stay informed, and advised of four public workshops that could be attended in September and October of 2018 to learn more about the fee study, and provide input.

Appendix A of this report provides copy of the following public outreach materials:

- Introduction to the GSA Fee Study,
- Out-of-Area Property Owners Postcard,
- Water Systems Outreach Postcard, and
- Notice of Public Workshops.

For the four public workshops, display advertisements were placed in regional newspapers and in online calendars, an e-blast was sent to the email subscribers, notice was posted on the SVBGSA's internet website, and all materials were translated into Spanish.

The public workshops were held in Soledad, Castroville, Salinas and King City in September and October 2018. Translation service from English to Spanish was provided at every workshop. Information was provided about SGMA and the SVBGSA's mission and role in developing groundwater management plans. The fee study presentation included background, various fee structures under consideration, feedback received from interested parties/stakeholder groups, and direction provided by the SVBGSA Board of Directors (Board) and Advisory Committee. In total, there were 72 attendees at the public workshops; some attendees went to all four public workshops. Common discussion items included:

- The fee is for administration of the GSA, not for any current or future project, and for most, will be very minimal.

- The fee recognizes and charges all beneficiaries (such as municipal, agricultural, commercial, industrial, government and environmental) of groundwater sustainability.

- All beneficiaries of groundwater sustainability within the SVBGSA management area, whether in the north or south, will be charged using the same methodology; fees will be uniform by type of beneficiary.

- Beneficiaries who contribute back to the groundwater supply through groundwater recharge, recycled water, return to local creeks and streams and so forth will be charged the same fee. While providing a credit to these beneficiaries is a valid consideration, given the timing and anticipated fee amounts, these concerns may be taken up in the future, most likely at project stage rather than as part of the regulatory fee.

- Property owners who pay a water provider for service will either pay the fee with property taxes or with their utility bills; if the latter, the water provider will pay the regulatory fee directly to the SVBGSA.

- A sunset or cap to the fee is not feasible unless an alternative funding source is identified and secured; however, the fee level will be reviewed annually. Changes to the methodology for calculating the fee may be made as data availability and reliability evolves.

Other opportunities the public had to provide input included the SVBGSA meetings that have included discussion about the regulatory fee. The fee study consultant team attended, and made presentations, at the August 16th 2018 Advisory Committee meeting, the September 13th 2018 Joint Advisory Committee and Board of Directors meeting, and the October 11th 2018 Board meeting. The draft fee study was presented and discussed at the January 10th 2019 Board meeting.

Section 3: METHOD OF APPORTIONMENT

3.1 DATA SOURCES

The SVBGSA is in its infancy and, as such, it has not yet created datasets that are available to work with for purposes of establishing the fee. This fee study creates one of the first comprehensive datasets that the SVBGSA holds, and it is digitally compiled in both Microsoft Office applications and ArcGIS.

California law generally provides that a fee calculation need only rely upon the best available data at the time the fee is calculated. The fee calculations herein rely on the best available data sources as of the time of this fee study (2018). Key data sources to develop the Fiscal Year 2019/20 fee include:

- Monterey County Assessor Parcel Database,
- Monterey County GIS Data,
- Monterey County Health Department Small Water Systems Database,
- Monterey County Water Resources Agency 2015 Groundwater Extraction Summary Report,
- Department of Water Resources Land Use Viewer (https://gis.water.ca.gov/app/CADWRLandUseViewer/),
- Department of Water Resources Water Management Planning Tool (https://gis.water.ca.gov/app/boundaries/); and,
- California Environmental Health Tracking Program (cehtp.org/p/water_tool) published by the State Water Boards.

The following additional data sources were not used for the Fiscal Year 2019/20 fee calculation, as they were reasonably determined not to be the best available for that purpose. Some were utilized in development of this fee study, and could potentially be used in future fee calculations.

- Drinking Water Watch – Public Water System Facilities (State Water Boards data),
- Service connection data provided by municipal and private water providers,
- Department of Water Resources Disadvantaged Communities mapping tool,
- Monterey County Agricultural Commissioner's Office Annual Crop Reports,
- Evapotranspiration Crop Coefficients published by the University of San Luis Obispo Irrigation Training and Research Center.
- California Department of Conservation Farmland Mapping and Monitoring Program (https://www.conservation.ca.gov/dlrp/fmmp) - this data is not designed for parcel-specific planning purposes due to its scale and the ten-acre minimum land use mapping unit.
- USDA National Agricultural Statistics Service CropScape (https://nassgeodata.gmu.edu/CropScape/) – provides information on crops grown annually, but does not indicate irrigated acres.

3.2 FEE METHODOLOGY

Three fee structure approaches were developed based on stakeholder input. The three approaches are each hybrid structures of commonly used water-related fee structures (such as a per acre-foot fee, a per well fee, a parcel charge, or per customer fee). A hybrid approach was found to be necessary given certain drawbacks of using only one way to structure the fee.

Presentations to the Advisory Committee and Board of Directors describing each of the three developed fee approaches are provided in **Appendices B** and **C** of this report. **Appendix B** is the presentation provided at the joint meeting of the SVBGSA Board of Directors and Advisory Committee, September 13, 2018[11]. At that meeting, each of the members present were asked to rank the three approaches using certain criteria. Criteria used to rank the three fee structures, and weighting given to each were:

1. Equity (50%)
2. Enforceability and Confidence in Data (20%)
3. Simplicity (10%)
4. Revenue Stability / Predictability (10%)
5. Administrative Ease (10%)

In total, 9 of the 11 Board members and 16 of the 26 Advisory Committee members completed the ranking. Approach 1 garnered 46% of the points, approach 3 garnered 30%, and approach 2 garnered 24%. While approach 1 had the highest rank, there was some concern that approach 3 was not fully understood; therefore, the Board requested greater clarity on both approaches 1 and 3 at the next Board meeting. **Appendix C** is the presentation to the Board on October 11, 2018[12].

A description of the three approaches is provided here.

Approach 1: Acreage Fee for Agricultural Users and Connection Fee for All Other Users
Many stakeholders were vocal that agricultural water users are vastly different from other users of water in the Salinas Valley and that needs to be accounted for in the fee structure. This fee structure allows for the difference in water use to be incorporated into the cost allocation without paying a fee based on extraction. First, the total cost would be split between Agricultural Users and All Other Users (which are served by water systems). The cost allocation would be based on published data for the entire Salinas Valley, and it could be updated every year based on a formula such as the rolling 5-year average of gross pumping. If a published data source could not be agreed upon, the SVBGSA would use best

[11] There was a computational error in Slide 27 that was discussed during the meeting. The State Fees for the example with 2 wells should be $93.50 per acre per year, rather than $90.00 per acre per year.
[12] The example fee calculation for approach 3 was revised slightly between the September and October meetings to better reflect the intent of the approach.

available records of municipal pumping, and estimate agricultural pumping by applying evapotranspiration (ET) values to crop types.

The agricultural per irrigated acre fee would be determined using mapping software (GIS). The sophistication of GIS is continually evolving; as such, the database used to establish the fee could be updated over time. Total cost allocated to Agricultural Users would be divided by the number of irrigated acres to calculate the fee. Fees would be collected with property tax bills.

All other beneficiaries of groundwater management are served by water systems. All properties with a water service connection would pay the regulatory fee. There would be no exceptions to this. If, for example, a property has both a service connection from a water provider and a domestic (private) well, the property would still be subject to the SVBGSA fee. For purposes of the fee, a water service connection uses the same definition as California Health and Safety Code Section 11675 (s):

> [A] service connection [is] the point of connection between the customer's piping or constructed conveyance and the water system's meter, service pipe, or constructed conveyance.

The definition encompasses facilities with the ability to deliver water to the property, whether the property takes water from that pipe or not. An inactive service connection (one not currently taking water) would be subject to the fee because the water provider's infrastructure is ready to deliver water at any time. A cost per connection would be determined by dividing the All Other Users cost by the total number of service connections. Costs would be allocated to each water system by multiplying the cost per service connection by the number of connections (active and inactive) the water system maintains. Fees would be collected either with property tax bills or directly from water systems.

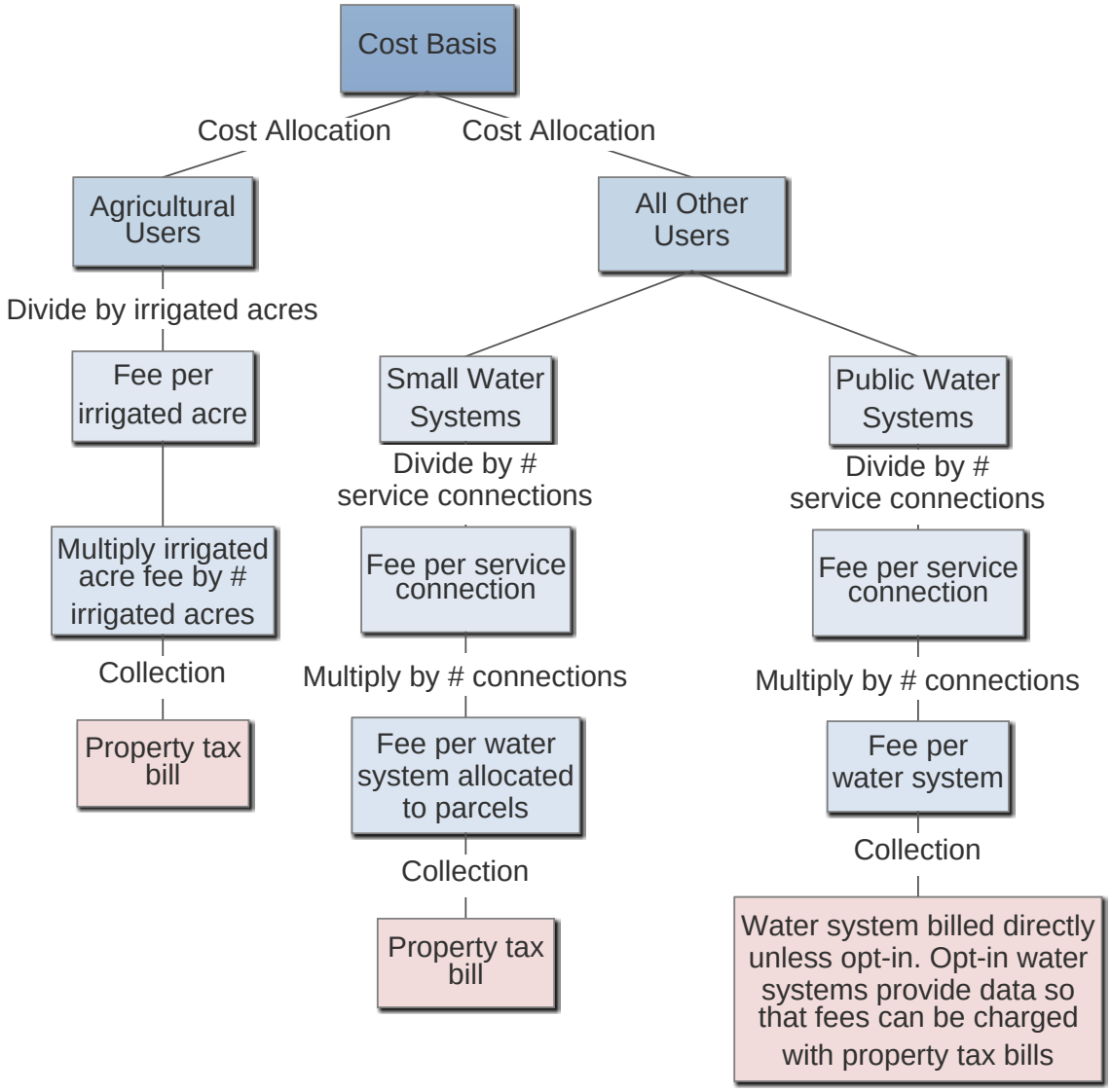
Approach 1 is illustrated in **Figure 3** on the next page.

Benefits: This approach recognizes the difference in water use between Agricultural and All Other Users and it provides some flexibility in that it can be updated within its original framework with technological advances and new data sets. All beneficiaries of groundwater management would pay the fee. Under this fee approach, Public Water Systems[13] that cannot provide datasets showing parcels served and the number of service connections associated with each parcel would be billed directly by the SVBGSA for their cost share. The water system can in turn recoup this cost from their customers. Small Water Systems (2 to 14 connections) would pay the regulatory fee with property tax bills, which avoids sending hundreds of direct bills as well as increasing the collection rate and decreasing the need for delinquency procedures for the SVBGSA.

[13] Public Water Systems is a classification of water system types as described in greater detail in Section 4 of this report.

Considerations and Drawbacks: If Public Water Systems would rather have their customers pay the fee directly with property tax bills, they will have to provide an annual database to the SVBGSA listing properties with a service connection(s), which is more work for the water systems. The cost allocation methodology in step 1 between Agriculture and All Other Users may be a point of debate from year to year; however, the fee structure allows the methodology and/or data sources used to perform the calculation to change over time. Another consideration is that charging water system beneficiaries per service connection does not account for varying water demands by different land use types.

Figure 3
Approach 1 Fee Steps



Approach 2: Extraction-Based Fee Structure

This approach is similar to the State intervention fee structure described in Section 4 of this report. Every well capable of pumping, whether currently pumping or not (standby, active, inactive, but not an abandoned sealed well for example) would pay the same annual base charge. De minimus users would be exempt, as they are in all three approaches. Well owners would pay per reported acre-foot extracted for the prior 12-month reporting period. If a well owner was unwilling to provide pumping data, they would be subject to an extraction fee based on SVBGSA-estimated pumping. Estimated extraction would be calculated using the best available data on crop type and California Irrigation Management Information System Evapotranspiration rates (CIMIS ET data) to calculate water use, with an adjustment factor for non-consumptive water use[14]. The fees would be applied to the parcel the well is located on and collected with property tax bills.

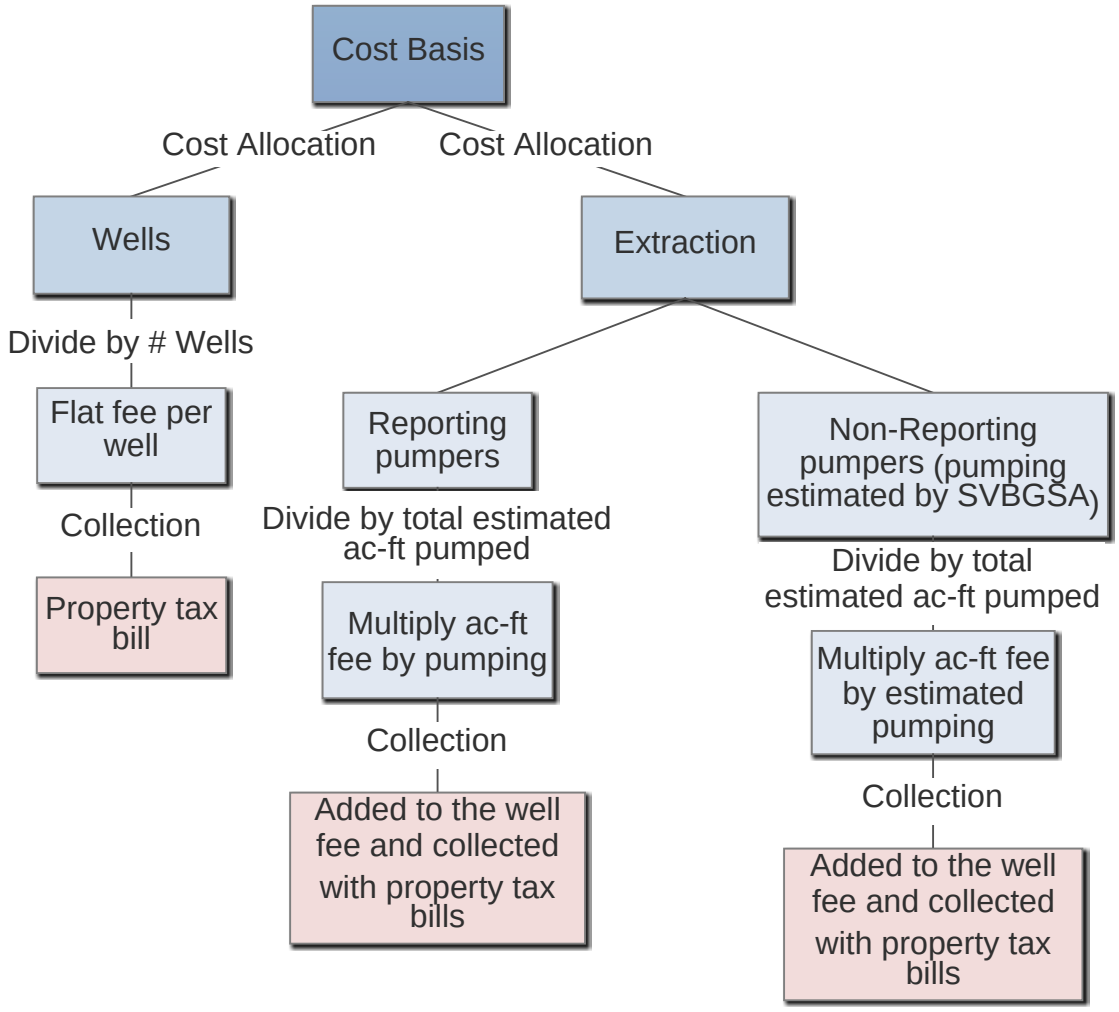
Approach 2 is illustrated in **Figure 4** on the next page**.**

Benefits: Extraction has the most direct relationship to groundwater sustainability; all beneficiaries of groundwater sustainability are charged the same way, and the amount of water used by different types of users is accounted for. Some agricultural interests expressed a desire to have the choice to report water extraction, which this achieves, and all wells capable of impacting the aquifer pay something even if they are not currently pumping.

Considerations and Drawbacks: The current system of self-reporting is not trusted by all stakeholders. For those extractors choosing not to provide extraction data, the SVBGSA-estimate of pumping may not be very accurate as it relies on crop type information from either the land owner or a data source such as the Agricultural Commissioner (which data is based on pesticide permit information and not necessarily the actual crop(s) grown), or USDA crop data obtainable from the CropScape GIS platform, and application of ET data for grouped crop types that will not accurately reflect actual crops harvested because multiple crops may be grown on the same land over a year. The estimates would not account for the micro-climate of that land, or account for the actual weather conditions experienced in the preceding twelve months at that location. In short, this approach is riddled with potential data shortcomings that would shake confidence in the reasonable relationship demonstration of the fee. In addition, this fee structure has a legal hurdle in that it would likely require a majority protest adoption to remain in effect after the first GSP is complete (less than one year after adoption of the fee). In addition, revenue would not be as predictable under this approach as under approaches 1 and 3 because pumping can vary from year to year and the fee is based on the prior-year's pumping.

[14] Water applied to landscapes is consumptive and non-consumptive. The consumptive portion is what the plants utilize and what evaporates; the non-consumptive portion passes through the soils and rocks, returning to a water body. Because well owners reporting extraction would be reporting gross pumping, an estimate of pumping based on evapotranspiration must be adjusted for non-consumptive uses.

Figure 4
Approach 2 Fee Steps

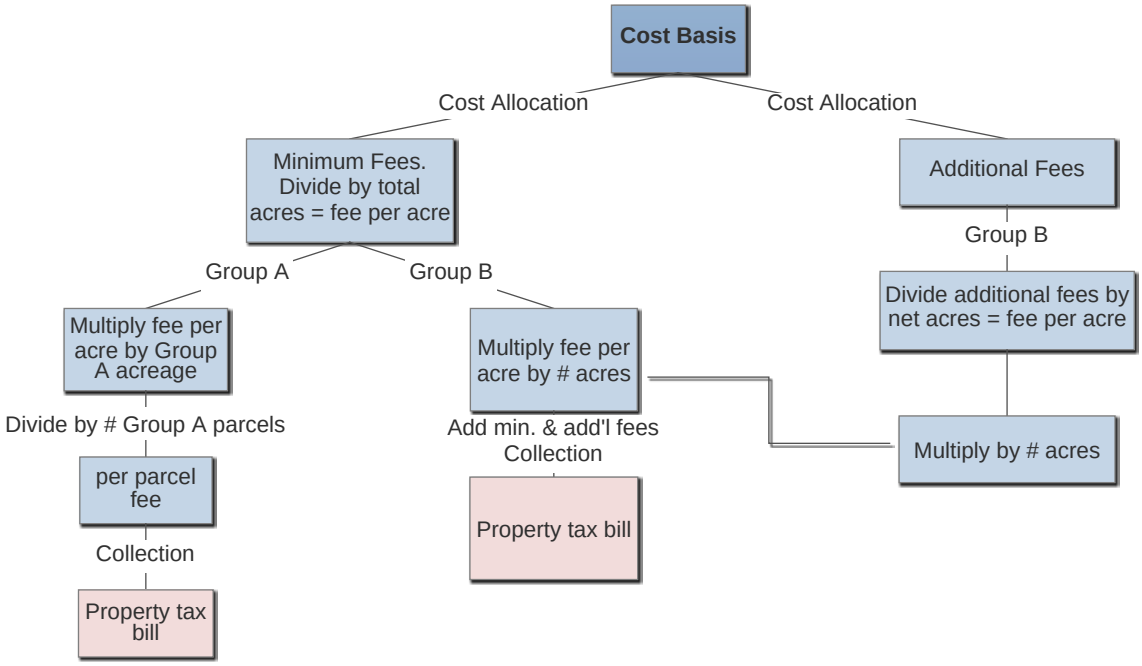


Approach 3: Acreage and Parcel Fee Hybrid Structure
Properties benefiting from groundwater extraction facilities would be grouped into Group A and Group B. Group A includes all parcels smaller than 2.5 acres served by a water system. The parcel size could be altered; the intention is to capture properties likely to use similar water quantity. Group B includes all other parcels benefiting from groundwater extraction facilities (agricultural irrigated properties and parcels greater than 2.5 acres in size served by a water system). Group A properties would pay a parcel fee. Group B properties would pay a per acre fee if served by a water system, and a per irrigated acre fee if the property has an agricultural use.

Approach 3 is illustrated in **Figure 5** on the following page**.**

Benefits: This approach achieves the goal of having all groundwater management beneficiaries pay and it provides a predictable revenue stream. It is easily enforceable and revenue collection is all performed by Monterey County because all fees would be placed on the property tax roll. Administrative costs would not necessarily be lower than under the alternative fee approaches because the parcel database would have to be updated every year to account for parcel splits and new service connection additions to water systems.

Figure 5
Approach 3 Fee Steps



Considerations and Drawbacks: While this fee structure approach provides a reasonable relationship between the amount of the fee and activities it will fund, it is the least equitable of the three approaches because there is little consideration in the determination of the fee how much water is used by beneficiaries of groundwater sustainability. Equity was given the greatest weighting in the ranking criteria. This approach requires Public Water Systems to provide a list annually of which parcels receive water system service (the County Health Department maintains this list for Small Water Systems). There is additional work for the water systems to provide a list of parcels they serve every year. Under approach 1, provision of this list is optional.

3.3 FEE METHODOLOGY SELECTION

Approach 1 was selected by the Board of Directors at the October 11, 2018 Board meeting. The consensus was that Approach 1 provides the greatest equity between the beneficiaries of sustainable groundwater management, it is the easiest to understand, and it is the simplest to calculate and collect. In addition, portions of the methodology can be modified over time. In particular, Step 1, which allocates the total cost between Agricultural Users and All Other Users, can be readily modified over time. The methodology could also be modified in the future to account for varying water demands by beneficiaries served by water systems, if deemed warranted.

At the October 11, 2018 Board meeting, Directors expressed a desire to keep the door open on items such as working toward an extraction-based fee; allowing for a potential low-income discount in the future, and incorporation of return flow calculations into the fee. It was noted that the fee can be "fine-tuned" over time with annual reviews.

Section 4: FEE CALCULATION

4.1 COST BASIS OF FEE

The cost basis of the fee for Fiscal Year 2019/20 is $1.2 million. Operating expenses of the SVBGSA excluding development of the GSPs is estimated at approximately $955,000. Operating expenses include contract personnel of Regional Government Services (the SVBGSA has no employees), legal services, consultant services (development of the GSP, grant writing, facilitation, communications, financial services), office rent and related supplies costs, dues and insurance, and other related operations costs. New costs that will be incurred include payment to the Monterey County Auditor-Controller for collection of the regulatory fee on the secured property tax roll. Professional services costs are anticipated to remain at approximately $100,000 per year; although the fee study will be complete there will be costs associated with placing the fee on the property tax roll each year, or mailing direct bills and handling payments, and updating the fee; hydrological studies, mapping services, and other professional costs that will be incurred by the SVBGSA.

Net revenues of approximately $250,000 are anticipated each year for the next five years. Given that the SVBGSA has only been in existence for 18 months, the estimates of costs and net revenues are best estimates at this time; actual costs and net revenues will likely vary from these estimates over time.

The JPA states that members shall be repaid for their first two years of contributions; however, the process of how repayment shall be made is a Board decision. At the October 11, 2018 Board meeting, a recommendation was made to wait until the GSPs are complete to commence initial member contribution reimbursements. Because the agency does not yet have years of cost history on which to base a decision, it is better to wait until the SVBGSA has a good handle on its annual expenses and cash flow to commence reimbursements. If cash flow is more than sufficient, the Board could start reimbursements sooner, such as after the first GSP is complete. On October 11, 2018 the Board agreed to both a) base the fee on $1.2 million and b) wait until the GSPs are complete to commence initial member contribution reimbursements.

Table 5 on the following page shows the cost basis and projected net revenues for the SVBGSA for the next five fiscal years. Note that the actual cash balance of the SVBGSA at the end of fiscal year 2018/19 will be much higher than shown due to the timing of payments to the consultants developing the GSPs.

Table 5
Projected Costs and Net Revenues

Revenues and Expenses	2017/18 first year	2018/19 second year	Escalator	Fiscal Year 2019/20 Year 1	2020/21 Year 2	2021/22 Year 3	2022/23 Year 4	2023/24 Year 5
Revenues			*assumption*			**Projected**		
Member Contributions [1]	$1,145,000	$1,145,000		$0	$0	$0	$0	$0
Fees/Charges for Services [2]			*2.75%*	$1,200,000	$1,233,000	$1,266,908	$1,301,747	$1,337,546
DWR Grant for GSP Development	$1,500,000	$0		$0	$0	$0	$0	$0
Subtotal Revenues	**$2,645,000**	**$1,145,000**		**$1,200,000**	**$1,233,000**	**$1,266,908**	**$1,301,747**	**$1,337,546**
Expenses								
Administrative Services [3]	$275,500	$560,100	*3.00%*	$576,903	$594,210	$612,036	$630,397	$649,309
Groundwater Sustainability Plan	$1,924,006	$140,000		$0	$0	$0	$0	$0
Legal Services	$60,000	$100,000	*3.00%*	$103,000	$106,090	$109,273	$112,551	$115,927
Professional Services	$187,000	$98,000	*3.00%*	$100,940	$103,968	$107,087	$110,300	$113,609
Supplies	$22,600	$37,900	*2.50%*	$38,848	$39,819	$40,814	$41,835	$42,880
Board Stipend	$22,500	$26,400	*2.50%*	$27,060	$27,737	$28,430	$29,141	$29,869
Miscellaneous	$81,625	$105,600	*2.50%*	$108,240	$110,946	$113,720	$116,563	$119,477
Subtotal Expenses	**$2,573,231**	**$1,068,000**		**$954,991**	**$982,769**	**$1,011,360**	**$1,040,786**	**$1,071,072**
Net Revenues	**$71,769**	**$77,000**		**$245,010**	**$250,231**	**$255,547**	**$260,961**	**$266,474**
Non-Operating Income (Expenses)								
Interest Income	$200	$200		$200	$200	$200	$200	$200
County Fee Collection (estimate) [4]	$0	$0		($3,000)	($3,083)	($3,167)	($3,254)	($3,344)
Subtotal Non-Operating Income (Expenses)	**$200**	**$200**		**($2,800)**	**($2,883)**	**($2,967)**	**($3,054)**	**($3,144)**
Total Net Revenue	**$71,969**	**$77,200**		**$242,210**	**$247,348**	**$252,580**	**$257,907**	**$263,330**
Estimated End of Fiscal Year Cash Balance [5]	**$71,969**	**$149,169**		**$391,379**	**$638,727**	**$891,307**	**$1,149,214**	**$1,412,543**

Source: SVBGSA and HEC.

[1] JPA Member Contributions:	**FY 2017/18**	**FY 2018/19**	**Total**
Monterey County	$420,000	$420,000	**$840,000**
Agricultural Interests	$250,000	$250,000	**$500,000**
Water Resources Agency	$20,000	$20,000	**$40,000**
City of Salinas	$330,000	$330,000	**$660,000**
City of Gonzales	$20,000	$20,000	**$40,000**
City of Soledad	$35,000	$35,000	**$70,000**
King City	$30,000	$30,000	**$60,000**
Castroville CSD	$20,000	$20,000	**$40,000**
MontereyOneWater	$20,000	$20,000	**$40,000**
Total Budget	**$1,145,000**	**$1,145,000**	**$2,290,000**

[2] Annual inflator is the average annual increase in the San Francisco Consumer Price Index for the past 20 years.

[3] Includes all RGS services.

[4] Monterey County charges 0.25% of the total amount placed on the tax roll.

[5] Actual balance differs largely because of timing of GSP payments.

4.2 FEE CALCULATIONS

The fee calculations are based on Approach 1, as described in Section 3 of this report. The fee calculations include the entire SVBGSA management area shown in **Map 1** on page 3.

Step 1: Allocate the total cost basis between Agricultural Users and All Other Users. Cost allocation for Fiscal Year 2019/20 is based on data published by the MCWRA. The MCWRA collects data from groundwater extractors with discharge pipe inside diameter of 3" or greater. While the dataset does not capture all pumping within the SVBGSA's management area, it does capture the vast majority of it. DWR reports total pumping of 626,262 acre-feet in the six sub-basins managed by SVBGSA (excluding the Paso Robles sub-basin portion in Monterey County). MCWRA data reports total pumping from extractors required to report to them of approximately 500,000 acre-feet (depending on the year reported), which is about 80% of DWR's estimate of pumping. Acknowledging that the datasets are not directly comparable because they cover different geographies and MCWRA's data is collected only from a subset of all extractors; nevertheless, MCWRA data is the best local data available from a large sample of all extractors. The MCWRA data is considered sufficiently representative of pumping in the SVBGSA management area for purposes of allocating cost between Agricultural Users and All Other Users.

Table 6 below provides MCWRA pumping data for the last most currently available five years of data. Agriculture's percentage of total reported pumping ranges between 90% and 93%. DWR data shown in **Table 7**, corroborates this ratio, with almost 94% of pumping estimated to be for agricultural purposes. Given that neither data set can be perfect (many wells are not metered), the proposed fee is calculated by allocating 90% of cost to Agricultural Users and 10% of cost to All Other Users. The SVBGSA has the ability to update the cost allocation percentage by Super Majority Plus vote of the Board.

Table 6
Monterey County Water Resources Agency Pumping Data

Year	Total Pumping	Agricultural Pumping	Ag. as % of Total Pumping
	ac-ft	ac-ft	
2011	448,584	404,110	**90.1%**
2012	489,240	446,619	**91.3%**
2013	508,205	462,873	**91.1%**
2014	524,487	480,160	**91.5%**
2015	514,714	478,113	**92.9%**
Avg. Annual	**497,046**	**454,375**	**91.4%**

Source: MCWRA Annual Groundwater Extraction Reports.

Table 7
California Department of Water Resources Pumping Data

Subbasin Name	Irrigated Acres	Total Groundwater Pumped	Agricultural Pumping	Urban Pumping
		ac-ft	ac-ft	ac-ft
180/400 Foot	51,847	165,364	158,393	6,971
East Side	31,352	112,591	95,235	17,356
Forebay	56,058	181,989	176,266	5,723
Upper Valley	45,272	154,213	151,446	2,767
Langley	1,387	5,700	4,254	1,446
Monterey	477	6,405	1,451	4,954
Total	**186,393**	**626,262**	**587,045**	**39,217**
Share of Pumping			**93.7%**	**6.3%**

Source: California DWR - https://data.cnra.ca.gov/dataset/sgma-basin-prioritization-2018

Step 2: Agricultural Users Fee Calculation.
The Agricultural Users' allocated cost is divided by the total number of irrigated acres in the SVBGSA management area. The total number of irrigated acres in the SVBGSA's management area is determined using mapping software (GIS). Currently, there are two data sources that can be used to identify irrigated acres:

1. Monterey County Assessor Database Land Use Codes 4C (Row Crops), 4D (Field Crops, Alfalfa, Pasture), 4F (Vineyards), 4G (Orchards – fruits or nuts), 4K (Agricultural Preserves – Irrigated, Row Crop), and 4N (Agricultural Preserve – Vineyard, Orchard).

2. DWR's 2014 Crop Mapping Land Use Codes V (Vineyard), T (Truck Nursery and Berry Crops), P (Pasture), Y (Young Perennials), C (Citrus and Subtropical), G (Grain and Hay Crops), and D (Deciduous Fruits and Nuts).

The difference in total irrigated acres between the two data sources is quite large. The Assessor's database query returns 250,457 irrigated acres. The DWR database query returns 191,244 irrigated acres. The discrepancy of approximately 59,200 acres appears to be from the following factors (1) DWR's crop mapping does not extend to the edges of the SVBGSA management area, (2) DWR's database uses remote imagery to deduce what is being grown; at this time ground-level reconnaissance has only been conducted for the Central Valley, and (3) the Assessor will classify a parcel according to whatever the majority use of the parcel is; therefore, some land that is not irrigated will be included.

Table 8 summarizes the irrigated acreage totals by data source. Both data sets include irrigated acres within what is now the Paso Robles sub-basin to the County line.

Table 8
Irrigated Acres Data Sources

Land Use Code	Description	Irrigated Acres
Assessor Data		
4C	Row Crop	95,685
4D	Field Crops Alfalfa, Pasture	2,271
4F	Vineyards	32,759
4G	Orchards (fruits and nuts)	571
4K	Ag. Preserves, Irrigated, Row Crop	76,728
4N	Ag. Preserves, Vineyard, Orchard	42,443
Assessor - Total Irrigated Acres		**250,457**
DWR Data		
V	Vineyard	48,774
T	Truck Nursery and Berry Crops	138,911
P	Pasture	482
Y	Young Perennial	31
C	Citrus and Subtropical	2,464
G	Grain and Hay Crops	229
D	Deciduous Fruits and Nuts	352
DWR - Total Irrigated Acres		**191,244**

DWR staff were asked about the differences in these datasets; their response was that while their dataset is possible to use, it may not be advisable. Specifically, in the DWR dataset, the land use types correspond to detected agriculture which may not necessarily indicate irrigated acres. They advise the analyst calculating the fee to look at the land use classifications and determine if that classification is typically irrigated or not and use that determination to inform the irrigated acreage count. DWR staff strongly recommend that if their dataset is used, it should be updated with further statewide surveys that contain more detailed and regional ground-truthing (there is no estimated timeline when these will become available).

To establish the fee for Fiscal Year 2019/20, this study uses the Assessor's parcel database land use codes[15] with acreage for each parcel provided by the County's GIS files. A 10% margin for error is included in the fee calculation to account for potential refinements to the database prior to the list of parcels being placed on the property tax roll.

[15] Every parcel is assigned a land use code. (1) is Residential, (2) is Multi-family, (3) is Rural including improved and unimproved parcels, open space and other uses, (4) is Agricultural, (5) is Commercial, (6) is Industrial, (7) is Institutional, (8) is Miscellaneous and (99) is other – not buildable.

It is important to note that the number of irrigated acres upon which the fee is calculated for each parcel may not be the same as the acres of the parcel stated on a property tax bill because the GIS calculated number of acres may not exactly match that of a legal description or map provided to the County for the Assessor's roll. The County's GIS data is provided "as is". [16]

For purposes of the SVBGSA Regulatory Fee, an Irrigated Acre is defined as,

"All real property classified as Monterey County Assessor land use codes 4C, 4D, 4F, 4G, 4K, and 4N, whether the acre belonging to the Assessor Parcel Number upon which the regulatory fee is imposed is or is not currently irrigated."

The calculated fee per irrigated acre will be applied to each of the Assessor Parcels (APNs) with irrigated acreage. Agricultural properties that will not be charged the fee have Assessor parcel database land use codes 4A, 4B, 4E, 4H, 4J, 4L, and 4M. **Table 9** on the following page shows total acreage of all parcels classified as Agricultural by the County using County GIS data. Almost half of all Agricultural land will not be charged the fee.

There are some parcels that straddle the SVBGSA management area boundaries. For these parcels, the entire acreage of the parcel will be charged the per acre fee because the entire irrigated parcel benefits from management of the groundwater resource. Also, note that the fee will be charged to irrigated parcels even if those parcels use surface (riparian) water because it can be demonstrated that surface water users benefit from a sustainable groundwater basin in that the supply of surface water is not depleted if the groundwater basin is in balance.

Given the discrepancy in total irrigated acreage between the two datasets, it is recommended that over time a better dataset be obtained, as may be available with technological advances in satellite imagery, or ground-truthing by DWR, for example.

[16] The County of Monterey (COUNTY) makes no warranties, express or implied, including without limitation, any implied warranties of merchantability and/or fitness for a particular purpose, regarding the accuracy, completeness, value, quality, validity, merchantability, suitability, and/or condition, of the GIS data.

Users of COUNTY's GIS data are hereby notified that current public primary information sources should be consulted for verification of the data and information contained herein. Since the GIS data is dynamic, it will by its nature be inconsistent with the official COUNTY assessment roll file, surveys, maps and/or other documents produced by the County Office of the Assessor, the County Surveyor, and/or other relevant County Offices.

Table 9
Assessor Database Agricultural Properties in SVBGSA Management Area

Land Use Code	Description	Acres
Lands Charged Regulatory Fee		
4C	Row Crop	95,685
4D	Field Crops Alfalfa, Pasture	2,271
4F	Vineyards	32,759
4G	Orchards (fruits or nuts)	571
4K	Agricultural Preserves, Irrigated, Row Crop	76,728
4N	Ag. Preserve Vineyard, orchard	42,443
Total Irrigated Acres		**250,457**
Lands NOT Charged Regulatory Fee		
4A	Grazing, Etc.	58,388
4B	Dry Farming	17,344
4E	Feed Lots	144
4H	Agricultural Preserves: Grazing, Brush, Dry Farming	161,168
4J	Waste Land Hunting or Rec. Use only	1,911
4L	Open Space Easements - eligible for subvention	312
Total Acres NOT Charged Regulatory Fee		**239,268**
Total Agricultural Acres		**489,724**

Step 3: All Other Users Fee Calculation.
The cost share for All Other Users is divided by the total number of service connections to determine the fee per service connection. Service connection data is obtained for two classifications of water systems: (1) for Small Water Systems and (2) for Public Water Systems.

A summary of Small Water Systems and Public Water Systems subject to the regulatory fee is presented in **Table 10** on the next page. There are approximately 58,950 service connections in the SVBGSA management area.

Table 10
Summary of Water Systems Subject to the Regulatory Fee

Water Systems in SVBGSA	Number of Water Systems	Percent of Total Systems	Service Connections	Percent of Total Connections
Small Water Systems (2-14 connections)	**675**	**81%**	**2,996**	**5%**
Public Water Systems [1]				
Less than 200 Connections	143	17%	3,563	6%
At Least 200 Connections	11	1%	52,396	89%
Subtotal Public Water Systems	**154**	**19%**	**55,959**	**95%**
Total Water Systems in SVBGSA	**829**	**100%**	**58,955**	**100%**

[1] Cal-Water's systems (4) are counted as one, and Cal-Am's water systems (4) are counted as one.

Small Water Systems

Drinking Water Protection Services of the County's Health Department regulates Local and State Small Water Systems with 2 to 14 connections as promulgated in Monterey County Code Chapter 15.04, and per California Code of Regulations (Section 64211). The Small Water Systems dataset is only periodically updated when the County has staff availability to perform the research. The dataset reports permitted connections, which is defined in County Code Section 15.04 as "a connection to any habitable structure, any commercial structure with a bathroom or breakroom that serves employees or the public, or parcel which uses potable water from a water system for domestic use and not exclusively for agricultural purposes. Service connection does not include a connection to a guesthouse."

Permitted connections includes both active and inactive connections. It is appropriate that all permitted connections pay the fee because a permitted connection has the ability to take extracted groundwater at any time; the property is therefore a beneficiary of SVBGSA's groundwater management activities. The Small Water Systems database identifies the water system name and APNs served by each water system, as well as the total number of service connections. This database can be used to place the calculated fee on the property tax roll. There is potential for a few Small Water Systems' service connections to be incorrectly attached to the parcels within their water system (if the County's database is correct then service connections would not be incorrectly attached between water systems); however, cross-checking data with the number of buildings on parcels, as described in the Assessor's database, should keep potential mismatches low. Some of the Small Water Systems serve the State of California. The State cannot be charged a fee on the tax roll; therefore, one bill will be sent directly to the State for its fees. The State's Small Water Systems fee for Fiscal Year 2019/20 is less than $50.00.

There are about 675 Small Water Systems within the SVBGSA management area with about 3,000 service connections; they comprise about 80% of the total number of water systems, but only 5% of the total number of service connections.

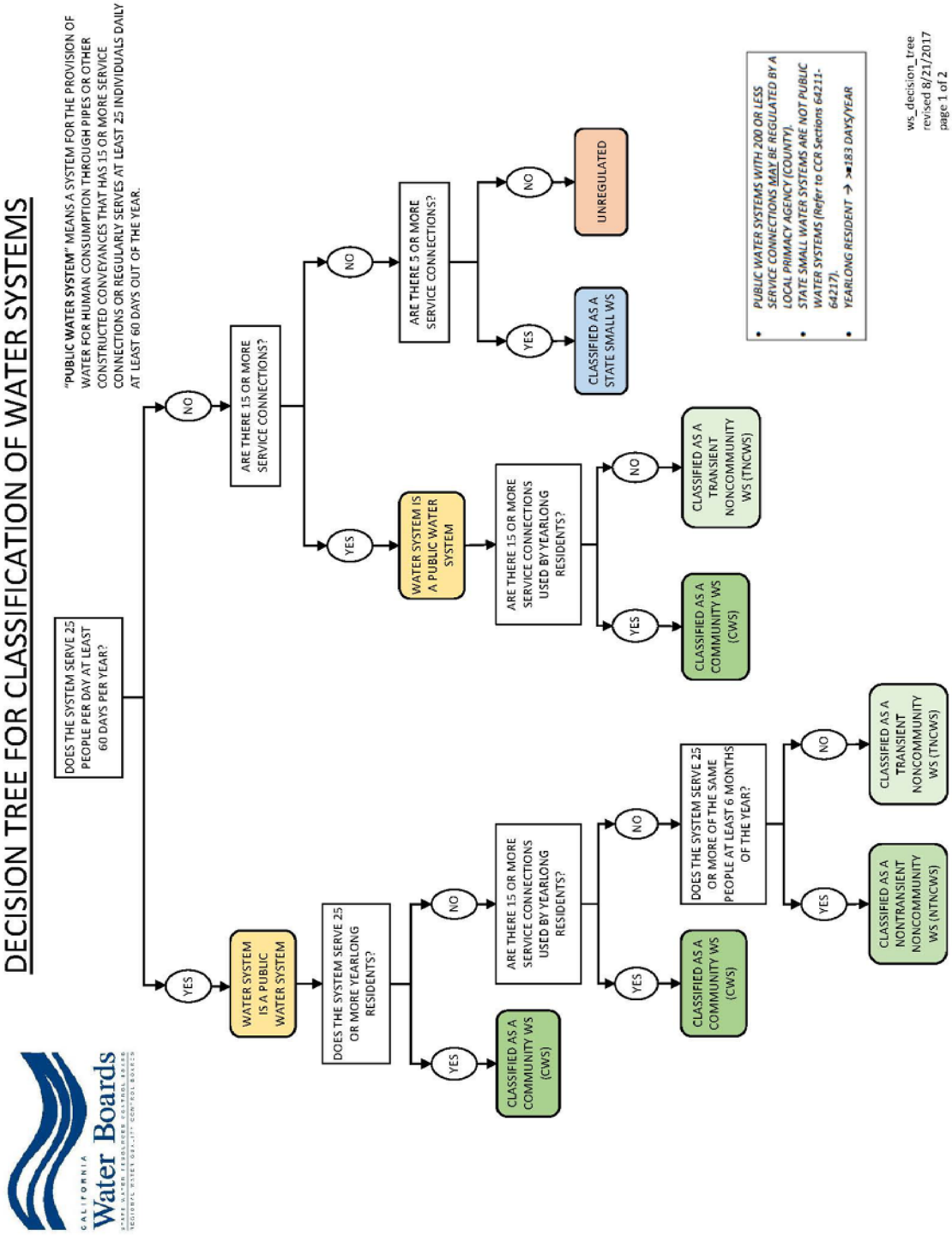
Public Water Systems

All other water systems are Public Water Systems regulated by the County if they have fewer than 200 connections, the California Public Utilities Commission if they are privately owned, or they are managed by a government agency (special district or city). The database of number of service connections for Public Water Systems was obtained from the California Environmental Health Tracking Program, Water Systems Geographic Reporting Tool, a collaboration of the California Department of Public Health and the Public Health Institute, published by the California State Water Resources Control Board Drinking Water (also accessible as the Water System Service Area Boundaries Dataset https://data.cnra.ca.gov/dataset/drinking-water-water-system-service-area-boundaries). This dataset is compiled from data submitted by water systems, districts, and state agencies, and although it is regularly updated, CEHTP advises that the data may not reflect the most recent boundaries of the Public Water Systems. While the dataset provides total number of service connections, it does not associate service connections with APNs. The number of service connections can range from 1 upwards because of the classification system established by the State Water Boards. For example, a system that serves at least 25 people per day for at least two months of the year is a Public Water System, but there may be fewer than 15 service connections to serve them if they are transient (not yearlong residents).

Figure 6 on the following page shows the State's decision tree for classification of water systems.

There are 154 Public Water Systems within the SVBGSA management area; they comprise about 20% of the total number of water systems, and 95% of the total number of service connections. The Public Water Systems will have to be direct-billed by the SVBGSA unless the water system provides a list of APNs and associated number of service connections, either in a Microsoft Office or GIS file format. There may be some water systems that provide service to a few parcels outside of the SVBGSA's service territory; however, all of the service connections and the parcels they connect are served by the water system and they are all beneficiaries of groundwater management so they will all be subject to the fee.

Figure 6
State Water Systems Classification System



Following the methodology for Approach 1 previously described, the calculated fees for Fiscal Year 2019/20 are $4.79 per irrigated acre and $2.26 per service connection. **Table 11** shows the calculation of the regulatory fee. Note that the calculated fees are rounded to the nearest whole cent.

Table 11
Regulatory Fee Calculation

Step	Item	Calculation	Cost
Step 1	**Total Cost**	**a**	**$1,200,000**
	Agriculture	b = a x 90%	$1,080,000
	All Other Users	c = a - b	$120,000
Step 2	**Agricultural Beneficiaries**	**d = b**	**$1,080,000**
	Irrigated Acres	e	250,457
	Allowance for Errors	f = e x 10%	25,046
	Irrigated Acres in Fee Calculation	g = e - f	225,411
	Cost per Irrigated Acre per Year	**h = d / g**	**$4.79**
Step 3	**All Other Beneficiaries**	**i = c**	**$120,000**
	Number of Service Connections	j	58,955
	Allowance for Errors	k = j x 10%	5,896
	Service Connections in Fee Calculation	l = j - k	53,060
	Cost per Connection per Year	**m = c / l**	**$2.26**

Regulatory Fee Collection
The regulatory fee will either be collected directly by the SVBGSA by directly billing the beneficiaries of groundwater sustainability, or by placing the fee on the property tax roll, in which case the Monterey County Treasurer-Tax Collector will collect the fee. Fee revenues will be disbursed to the SVBGSA upon receipt by the County.

The fee will be placed on the property tax roll for all irrigated acres. For all other beneficiaries, which are served by water systems:

- **For Small Water Systems**, the fee will be placed on the property tax roll with the exception of State of California owned parcels with water service from a Small Water System. The State will be direct-billed the total amount of the fee for all parcels served by a Small Water System.

- **For Public Water Systems,** the fee will be placed on the property tax roll if the water system provides a list of parcels or GIS files with water service connections. Note, if a parcel has more than one service connection (for example a connection to serve a

building and a separate irrigation connection) this must be identified. If a list is not provided by the water system by June 1 each year, the SVBGSA will directly bill the water system using the number of connections reported most recently by either a) California Environmental Health Tracking Program, or b) annual filings to the Monterey County Water Resources Agency (provided directly from the water system to SVBGSA).

4.3 FEE IMPACTS

Table 12 shows the total fee collection estimate from all water systems. Note that the fee revenue amount is greater than the total cost allocated to All Other Users because a 10% margin for error is also included in the fee calculation for number of service connections. Errors in the database may be found prior to distribution of bills, or may be discovered once the water systems have been billed.

Table 12
Water Systems Estimated Fiscal Year 2019/20 Revenues

Public Water System	Number of Connections	Estimated FY 2019/20 Revenue
	Fee per Connection	*$2.26*
Small Water Systems	**2,996**	**$6,771**
Public Water Systems		
Less than 200 Connections	3,563	$8,052
At Least 200 Connections	52,396	$118,415
Subtotal Public water Systems	**55,959**	**$126,467**
Total Water Systems in SVBGSA	**58,955**	**$133,238**

Table 13 on the next page shows total estimated fee revenues from Public Water Systems with more than 200 connections as of the date of this report. Actual bills may differ as data is refined prior to billing. These fees comprise 95% of the total All Other Users costs.

During the public meetings when discussing the fee, low-income households' ability to pay the fee was raised. When advocacy groups learned of the amount of the potential fee, that concern was alleviated; rather, the focus remained on equity, and on future potential fee escalation.

Table 13
Larger Public Water Systems Estimated Fiscal Year 2019/20 Revenues

Public Water System	Number of Connections	Estimated FY 2019/20 Revenue
	Fee per Connection	*$2.26*
Public Systems		
Gonzales	1,930	$4,362
Castroville CSD	2,051	$4,635
Soledad	3,669	$8,292
Mutual Systems		
Normco (Prunedale)	272	$615
Investor-Owned Systems (CPUC Regulated)		
Spreckels Water Company	327	$739
Little Bear Water Company	705	$1,593
Cal-Am Water Company		
Ralph Lane	30	$68
Chualar	192	$434
Ambler Park	402	$909
Toro	418	$945
Subtotal Cal-Am	**1,042**	**$2,355**
Alisal Water Corporation	**8,871**	**$20,048**
Cal Water		
Oak Hills	887	$2,005
Salinas Hills	1,652	$3,734
King City	2,701	$6,104
Salinas	23,312	$52,685
Subtotal Cal Water	**28,552**	**$64,528**
State-Owned Systems		
Salinas Valley State Prison	2,208	$4,990
Soledad Correctional Training Facility	2,769	$6,258
Subtotal State-Owned	**4,977**	**$11,248**
Public Water Systems >200 Connections	**52,396**	**$118,415**

Data sources: California Environmental Health Tracking Program.

State Fees Comparison

The California State Water Boards will intervene when an area is unwilling or unable to sustainably manage their basin or sub-basin(s). If the SVBGSA fails to produce the GSPs necessary for its jurisdiction, for example by failing to adopt a new fee by July 1, 2019 (thereby invoking Section 11.10 Section c) of the JPA), the State would declare the basins probationary. Probationary basin status requires all groundwater extractors to file extraction reports for each well with the State Water Boards annually. Each extraction report must be accompanied by a fee. The current State intervention fees are provided below in **Table 14**.

Table 14
State Water Board Intervention Fees Water Year 2019

Fee Category	Annual Fee	Applicable Parties
Base Filing Fee	$300 per well	All extractors required to report.
Unmanaged Rate	$25 per acre-foot if NOT metered, $10 per acre-foot if metered	Extractors in unmanaged areas.
Probationary Rate	$40 per acre-foot	Extractors in probationary basins
Interim Plan Rate	$55 per acre-foot	Extractors in probationary basins where the Board determines an interim plan is required.
De minimis Fee	$100 per well	A well owner that extacts two acre-feet or less per year for domestic purposes in a probationary basin, if the Board decides these extractions are significant.
Late Fee	25% of total fee per month	Extractors that do not file reports by the due date.

A comparison of fees for agricultural beneficiaries of groundwater sustainability under the State and proposed new SVBGSA fee is provided in **Table 15** on the following page. Under the State's fee structure, the fee per irrigated acre is variable, depending on water extraction quantity and number of wells. Under the SVBGSA fee structure, all irrigated acres pay the same fee for sustainable groundwater management.

The SVBGSA's fee structure does not follow the State's fee structure because of a lack of confidence in the data that would be necessary for such a fee calculation. See discussion of data shortcomings in Approach 2 on page 21.

Table 15
Comparison of State and SVBGSA Fees per Irrigated Acre

Land and Water Use		Farm A	Farm B	
Crop Type		***small vegetables***	***strawberries***	
Number of Wells	a	1	2	
Irrigated Acres	b	10	80	acres
Small Vegetable Crop Uses	c	2.00	2.15	acre feet per acre
Annual Water Extraction	d = b*c	20	172	acre feet per year
State Fees				
Base Filing Fee	e	$300	$300	per well
Probationary Rate	f	$40	$40	per acre foot
Annual Fee				
Base Filing Fee	g = a*e	$300	$600	
Extraction Fee	h = d*f	$800	$6,880	
Total Annual Fee	**i = g+h**	**$1,100**	**$7,480**	
State Fee per Irrigated Acre		**$110.00**	**$93.50**	
SVBGSA Fee per Irrigated Acre		**$4.79**	**$4.79**	

Section 5: FEE IMPLEMENTATION

The calculated fee is a regulatory fee adopted pursuant to SGMA (Water Code section 10730). That section provides:

> Permit fees and fees on groundwater extraction or other regulatory activity [may be imposed] to fund the costs of a groundwater sustainability program, including, but not limited to, preparation, adoption, and amendment of a groundwater sustainability plan, and investigations, inspections, compliance assistance, enforcement, and program administration, including a prudent reserve.

To adopt the new fee, the SVBGSA Board must hold at least one public meeting. Prior to the public meeting, notice must be provided as follows:

(1) Publicize once a week for 2 weeks at least 14 days ahead of the meeting, (2) post notice on the agency's website, (3) send by mail to any interested party who files written request for notice of agency meetings on new or increased fees.

(2) The notice must include time and place of meeting, general explanation of the item, and a statement that the data upon which the proposed fee is based is available (this must be made available to the public at least 20 days prior to the meeting).

The new fee must be adopted by resolution or by ordinance; the SVBGSA will adopt the fee by resolution. The resolution will establish the regulatory fee for Fiscal Year 2019/20 and establish the San Francisco Consumer Price Index as the annual fee inflator; however, the fee will be reviewed annually (the inflator will not be applied automatically). The annual review of the fee level will take into consideration current cash and budget projections, as well as any changes in fee methodology or changes in base data set(s) upon which the annual fees are calculated due to changes in source data. The SVBGSA Board has the ability to revise the fee whenever necessary by following procedures in the California Constitution.

In order for the calculated fees to be implemented, there must be a Super Majority Plus Vote of the Board of Directors. A Super Majority Plus Vote means the affirmative vote of eight directors then present and voting at the meeting, and the affirmative vote of three of the four agricultural directors. After adopting the fee, the SVBGSA must continue with the following actions to implement the fee for Fiscal Year 2019/20, and each fiscal year thereafter:

1. The SVBGSA shall notice the California Public Utilities Commission (CPUC) of the fee by way of letter to the Director of the Water Division immediately following adoption of the fee, before the fee is imposed. This is a one-time, non-recurring action.

2. The SVBGSA shall provide notice to all Public Water Systems that the list of parcels and number of connections to each parcel is due no later than June 1 or the water system will receive one bill due by November 1.

3. The SVBGSA shall provide the Monterey County Auditor-Controller's office all required documentation authorizing placement of the fee on the property tax roll, and shall provide the list of Assessor Parcel Numbers and fee amounts to be placed on the Fiscal Year 2019/20 roll no later than August 1.

4. The SVBGSA shall mail out bills to water systems and the State of California paying their fees directly to the Agency by August 1.

APPENDIX A

PUBLIC OUTREACH MATERIALS

Salinas Valley Basin
Groundwater Sustainability Agency

GSA FEE STUDY

The Salinas Valley Basin Groundwater Sustainability Agency (SVBGSA) is currently in the process of determining a funding mechanism to support the operations of the SVBGSA. Under the Sustainable Groundwater Management Act, GSAs have the authority to collect fees to fund the costs of its regulatory activities including preparation, adoption, and amendment of a groundwater sustainability plan, and investigations, inspections, compliance assistance, enforcement, and program administration, including a prudent reserve.

The SVBGSA has contracted a firm to explore fee structure options. The firm is working to determine a fee structure that meets the following two goals:

Establish a fair fee structure that the GSA board of directors can adopt.

Secure a fee structure adopted with maximum buy-in from interested parties and community-at-large.

Join the Conversation!
The SVBGSA wants the community to be involved! Join the Fee Study Update mailing listto receive project updates and stay informed about upcoming public workshops. Sharing this email with other interested parties is also encouraged. For questions, email GSAfeestudy@svbgsa.org.

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Planning Funding Securing Our Groundwater Future

Salinas Valley Basin
Groundwater Sustainability Agency
Post Office Box 1350 • Carmel Valley, CA 93924

ATTENTION PROPERTY OWNERS

Salinas Valley Basin Groundwater Sustainability Agency explores fee options that may affect property owners.

READ MORE

Planning • Funding • Securing Our Groundwater Future

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Under SGMA, GSAs have the authority to collect fees to fund the costs of its regulatory activities including preparation, adoption, and amendment of a groundwater sustainability plan, and investigations, inspections, compliance assistance, enforcement, and program administration, including a prudent reserve.

SVBGSA is in the process of determining a funding mechanism to support agency operations and has contracted a fee consultant to explore fee structure options. Depending on the fee structure established, the fee may be added to property tax bills or billed separately. The SVBGSA expects to have a permanent fee in place by July 1, 2019.

STAY INFORMED!

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SEP 19
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Castroville Community Service District Building
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(Please do not park inside fenced area)

OCT 02
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Salinas Rotunda
200 Lincoln Avenue, Salinas

OCT 03
5:30 p.m. to 7:30 p.m.
King City Council Chambers
212 S.Vanderhurst Avenue, King City

Salinas Valley Basin
Groundwater Sustainability Agency

NOTICE OF PUBLIC WORKSHOPS

The Salinas Valley Basin Groundwater Sustainability Agency (SVBGSA) invites the public to attend upcoming workshops about a fee study currently in progress for the agency. The public is encouraged to attend to learn about potential fee structures and ask questions.

The SVBGSA is conducting the fee study as part of its effort to comply with the statewide mandate to measure and secure future groundwater supplies under the Sustainable Groundwater Management Act (SGMA). Under SGMA, GSAs have the authority to collect fees to fund the costs of its regulatory activities including preparation, adoption, and amendment of a groundwater sustainability plans, and investigations, inspections, compliance assistance, enforcement, and program administration, including a prudent reserve. Public involvement is an important part of the process.

WORKSHOP SCHEDULE

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Planning Funding Securing Our Groundwater Future

APPENDIX B

SEPTEMBER 13, 2018 PRESENTATION TO THE SVBGSA JOINT MEETING OF THE ADVISORY COMMITTEE AND BOARD OF DIRECTORS

Salinas Valley Basin Groundwater Sustainability Agency

Fee Study

Joint Meeting of the SVGBSA
Board of Directors and Advisory Committee

September 13, 2018

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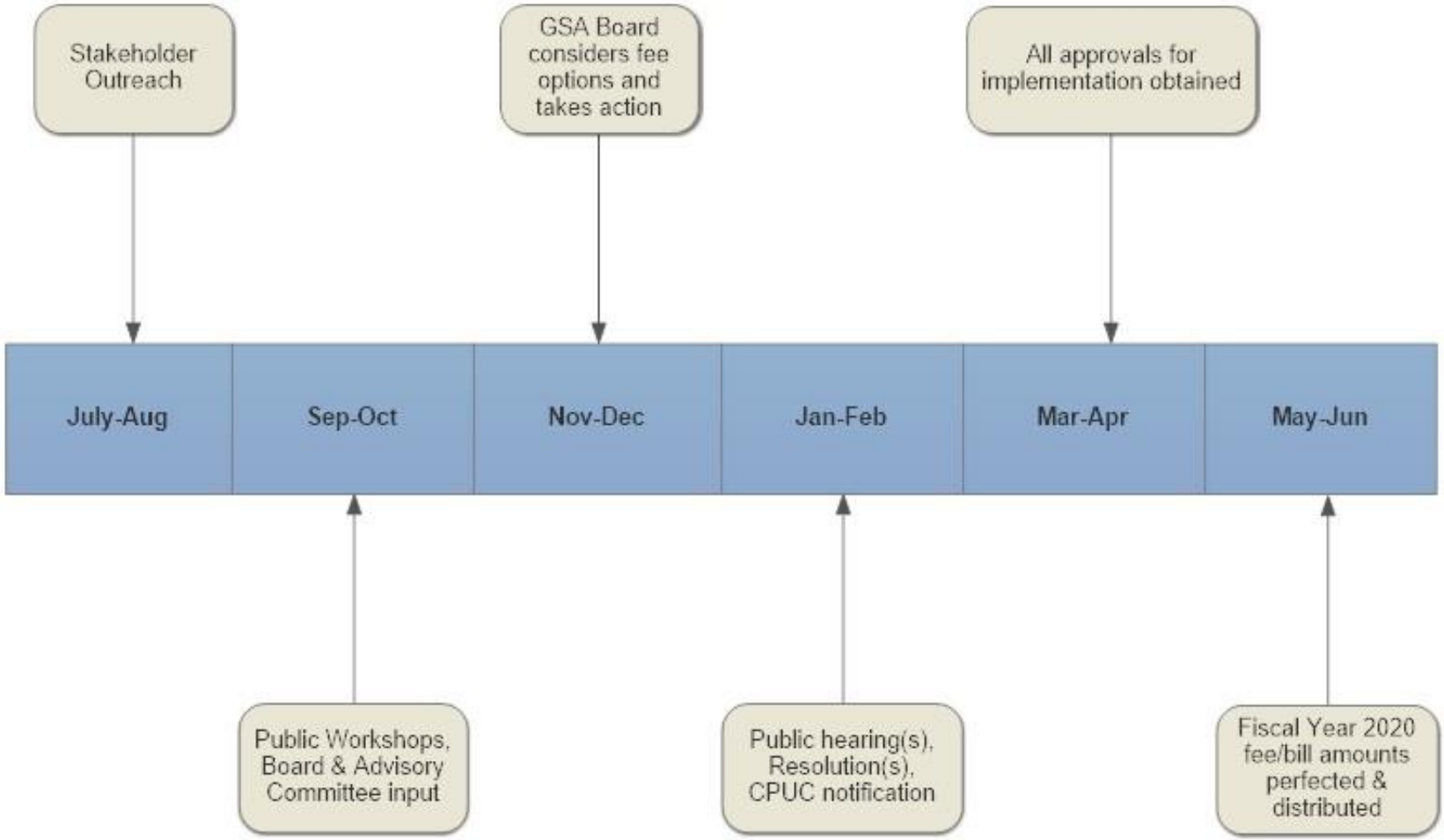
Progress & Timeline

50% Budget Expended; Project on Track



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Fee Goals

1. Establish a fair fee structure that the SVBGSA can adopt.

2. Secure a fee structure adopted with maximum buy-in from stakeholders.

3. Maintain transparency throughout the project.

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Outreach

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Laying the Foundation

- Initial Stakeholder Briefings
  - Met with representatives from agriculture, city manager, land owner and MCWRA
- Public Outreach Plan
  - Fluid document that outlines outreach activities
- Key Messages
  - Uniform messaging to incorporate into outreach materials
- Database development
  - Over 125 additional contacts to initial GSA email database; 448 subscribers to date

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ECONOMIC CONSULTING

Key Messages / Branding

- Design templates
  - Branded identity for GSA, GSP and Fee Study to use in print and electronic materials

- Universal Tagline for GSA, GSP and Fee Study

Planning Funding Securing Our Groundwater Future

HANSFORD ECONOMIC CONSULTING

Fee Study on Website

Added GSA Fee Study tab to website; developed content; includes mapping feature showing data (continually updated)

Salinas Valley Basin
Groundwater Sustainability Agency

ABOUT US | MEETINGS | UPDATES | GSP | GSA FEE STUDY | RESOURCES

GSA Fee Study

- Why a Fee Study
- Fee Study FAQ
- Funding Options
- Public Involvement

Why a Fee Study?

Under the Sustainable Groundwater Management Act, GSAs have the authority to collect fees to fund the operational costs of the GSA and of a groundwater sustainability program. Costs include preparation, adoption, and amendment of a groundwater sustainability plan, and investigations, inspections, compliance assistance, enforcement, and program administration, including a judicious reserve.

The GSA has contracted a firm to explore options and determine funding options that are fair for the community and provide the revenue needed for the GSA to operate.

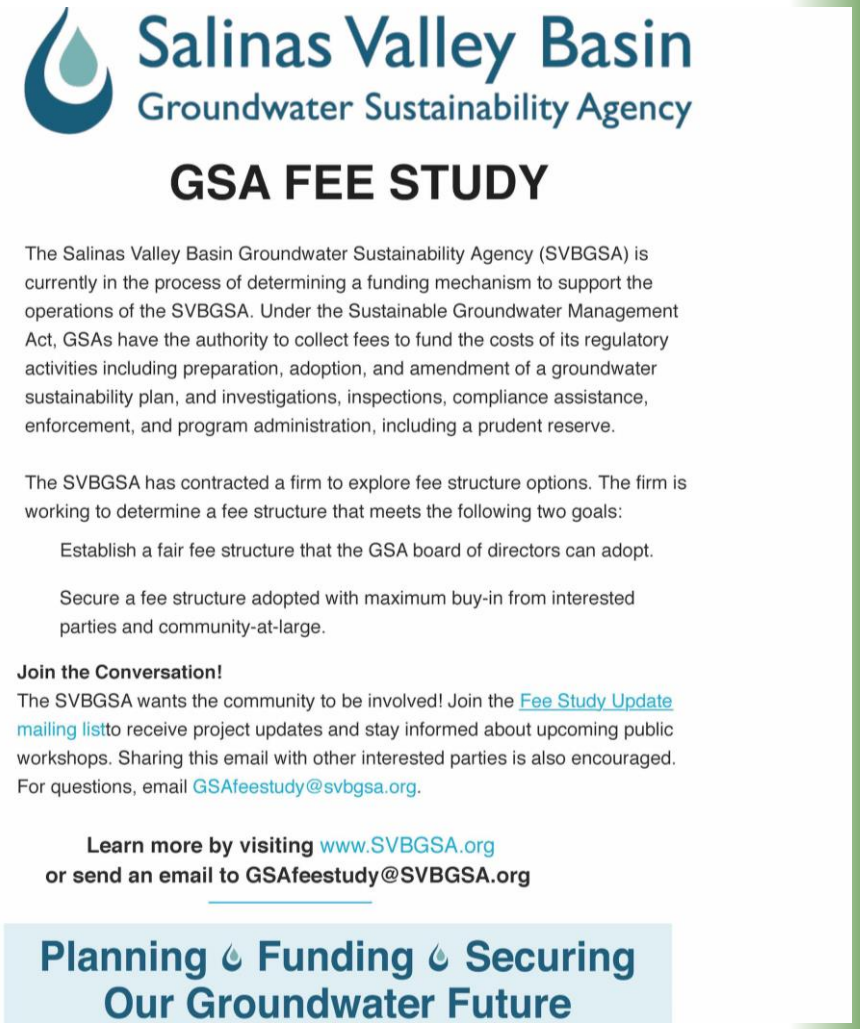
Who is Affected?

Groundwater users within the **boundaries** established by the Salinas Valley Basin Groundwater Management Agency.

Initial Outreach Efforts

Fee study introductory email July 25

- Resulted in 14 new subscribers
- 40% open rate



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Groundwater Sustainability Agency

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Planning Funding Securing Our Groundwater Future

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Outreach to Interested Parties

Purpose: Introduce fee study and create dialogue to discuss fee options

- Salinas Basin Agriculture Water Association
- Joint Meeting with Farm Bureau/Grower Shipper Water Committees
- Monterey Vintners & Growers
- Landwatch/League of Women Voters
- Large Water Providers: Castroville CSD, Alco Water, Cal Water
- Cities of Salinas, King City, Soledad and Gonzales
- Other Interested Parties: Monterey County Ag Commissioner, Coast Keepers, farmers/ranchers

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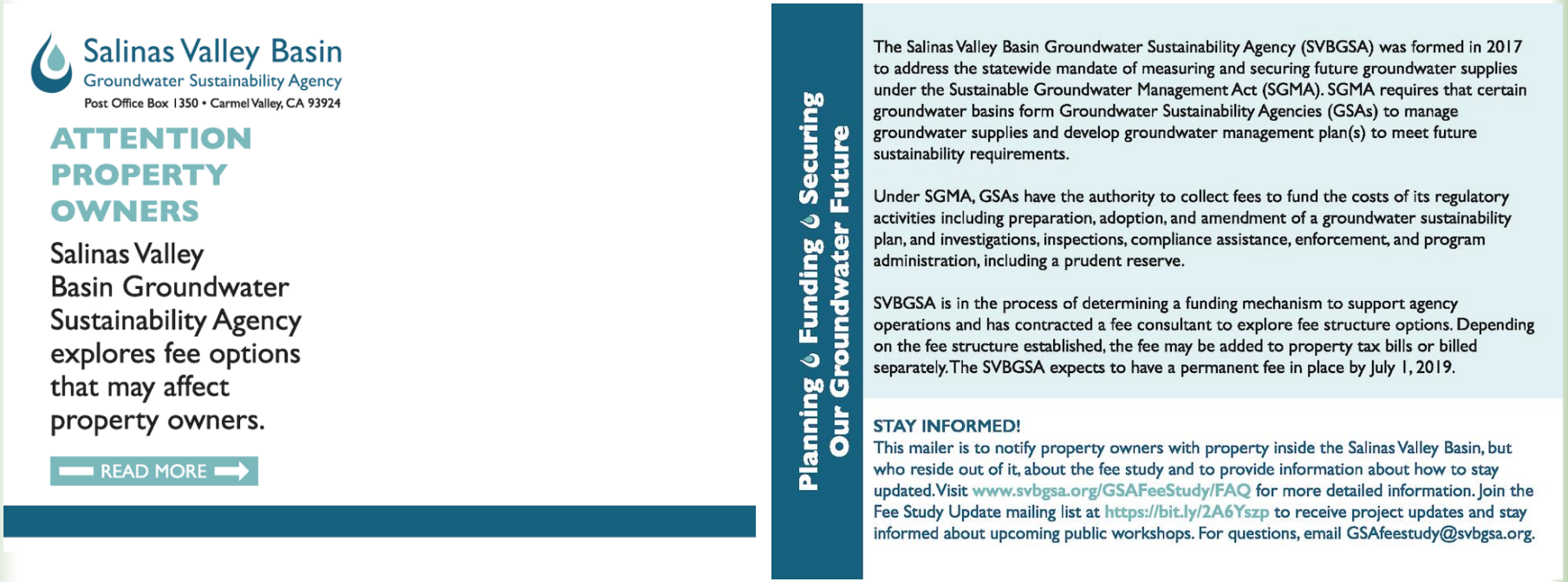
Out-of-Area Property Owners Outreach

Out-of-area property owners introductory postcard

- Distributed to more than 6,500 property owners
- Correction postcard for East Garrison (MCWD service area)



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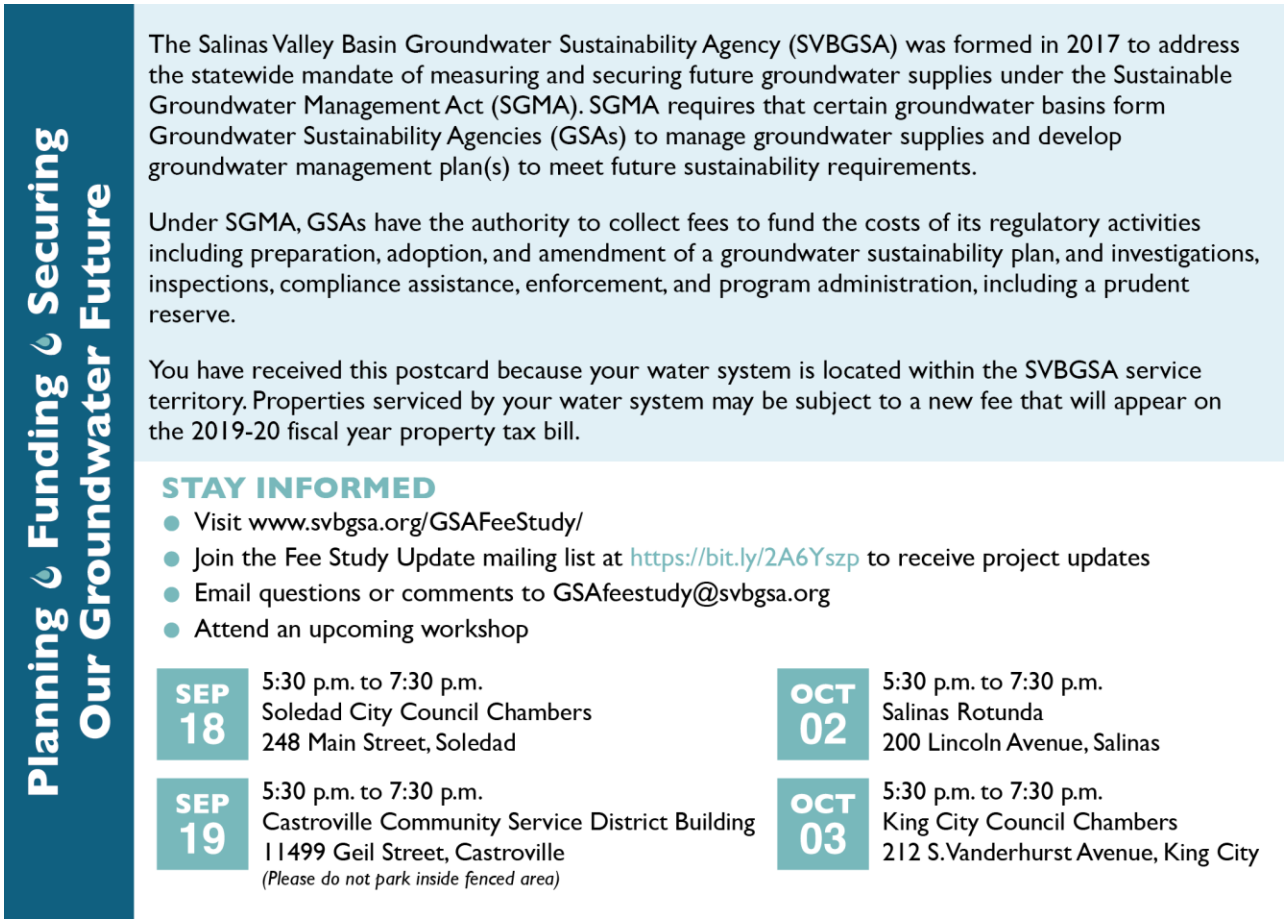
Water Systems Outreach Efforts

Postcard sent to all water systems in the SVBGSA boundaries

- Distributed to approximately 800



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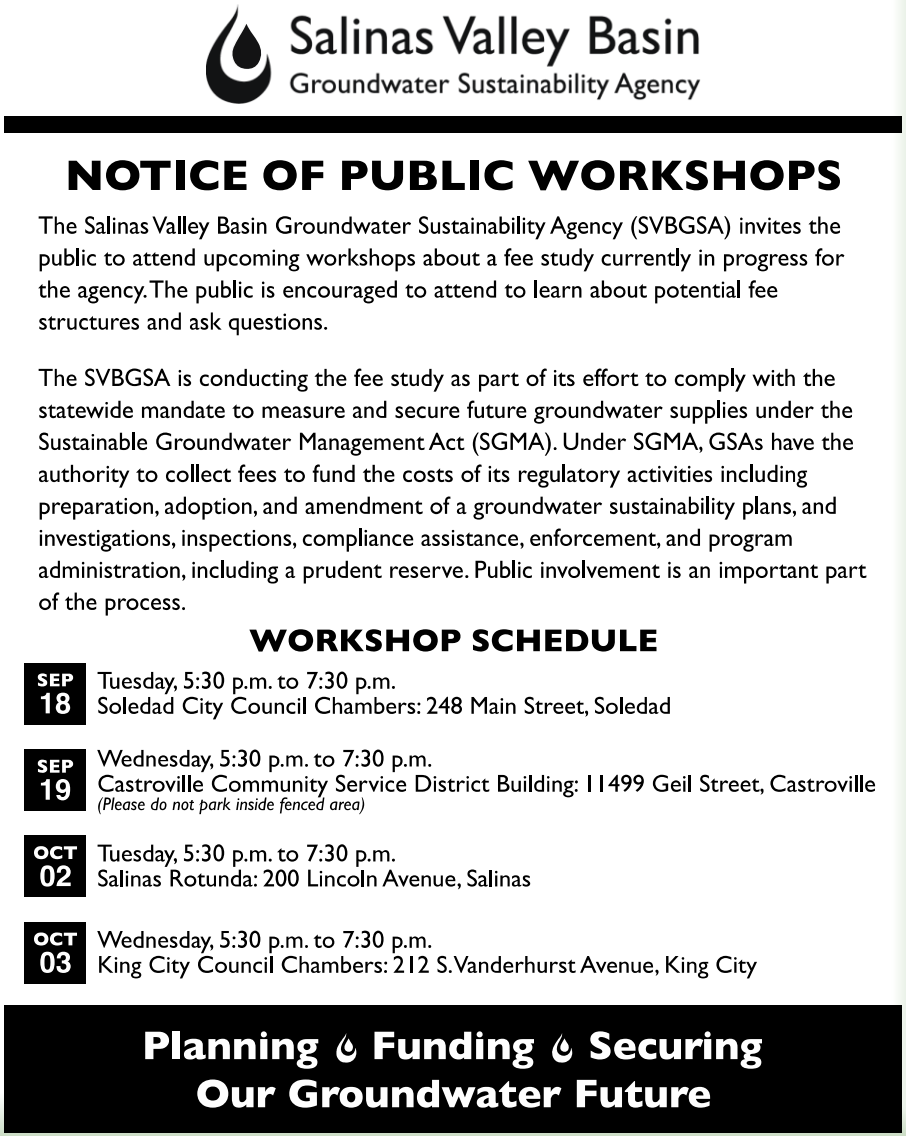
HANSFORD ECONOMIC CONSULTING

Public Outreach – Fee Study Workshops

- Display ads placed in area papers and online calendars
- Translated for Spanish media outlets
- E-blast to email subscribers
- Posted to website



Salinas Valley Basin
Groundwater Sustainability Agency

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Castroville Community Service District Building: 11499 Geil Street, Castroville
(Please do not park inside fenced area)

OCT 02 Tuesday, 5:30 p.m. to 7:30 p.m.
Salinas Rotunda: 200 Lincoln Avenue, Salinas

OCT 03 Wednesday, 5:30 p.m. to 7:30 p.m.
King City Council Chambers: 212 S. Vanderhurst Avenue, King City

Planning Funding Securing Our Groundwater Future

Fee Options

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Legal Basics

1. California Constitution (Props 218 and 26) place limits on ability to levy fees, charges, assessments, and taxes.
2. SVBGSA can levy a "special tax" – requires 2/3 electorate vote.
3. Prop 218 permits assessments with property owner vote but must pay for "special benefits," not general operations – used for projects.
3. Prop 218 permits "property related" fees and charges with majority protest proceeding – GSA fees not "property related."

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Legal Basics

5. Props 218 and 26 permit fees to pay the "reasonable costs" of a regulatory program.
   a. SGMA is a regulatory program.
   b. Fee must be proportional and related to benefits of the program.
   c. SGMA (section 10730) specifically allows regulatory fees both pre- and post-GSP adoption.
   d. SGMA (section 10730.2) requires partial majority protest proceeding for extraction based fees post-GSP.
6. Prop 26 permits fees to pay for "a specific government service or product provided directly to the payor that is not provided to those not charged."
   a. GSA provides the service of managing groundwater to sustainability.
   b. Cannot exceed reasonable cost.

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Fee Implementation

Collection Options	Parameters	Stakeholder Feedback	Legal Constraints
Regulatory and Government Service Fees	**Proposition 26; SGMA Code 10730 & 10730.2**	**Split opinions on whether everyone in GSA boundaries should pay or just those using groundwater, but more support for the latter**	**Uses full authority of SGMA; must tie to benefits of the regulatory program or service provided**
Other Options Considered – Not Moving Forward With:			
Voluntary Agreements	Only for municipal water providers	Can recoup costs from ratepayers, advantage for LIRA customers; however, want the GSA to be the collecting agency	Legally strong; infeasible to have multiple agreements to manage (hundreds of small water systems)
Property Related Fees	Proposition 218	Generally favorable if adopt via majority protest proceeding	GSA is not a water provider at this time so not applicable (extraction fee is not "property related")
Special Taxes	Special District authority	A lot of support for concept of everybody pays but no support for the effort required to implement	Legally strong; however, may be difficult as must be passed by two-thirds of voters at general election (Nov.)

Basis for the Fee for GSP Development & GSA Administration

Other options are available for implementing programs and projects after the GSP is developed

Options

- Wellhead Charge
- Parcel Charge
- Per Acre/Per Connection Charge
- Extraction Charge

Considerations

- Simplicity/Understandability
- Equity
- Administrative Ease
- Enforceability

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Fee Collection Considerations

In the table below, an ✘ denotes an issue (may be surmountable or not)

Options	Simplicity / Understandability	Equity	Administrative Ease	Enforceability
Wellhead Charge	Ties to users of groundwater; could be confusing if GSA implements a fee for registering wells	No connection to amount of water used; may not be using standby/other wells ✘	Relatively easy; charge parcels with wells	Enforceable; however, available data very unreliable ✘
Parcel Charge	Only connects to concept of everybody pays (requires special tax) ✘	Different land uses have different water demands; not recognized	Relatively easy; could charge all parcels on factors that represent potential to use water	Enforceable
Per Acre/Per Connection Charge	Simple & understandable	Ag and municipal water use is very different; charges to be allocated proportionately	Relatively easy; need water providers to submit # connections annually, otherwise receive bill based on publicly available data ✘	Enforceable; need to cross-check ag. water providers not billed as municipal
Extraction Charge	Understandable	Equitable	Pumpers report data twice OR transfer of data from MCWRA required; ✘ charges based on data at least one year old	Unenforceable; Relies on self-reporting until GSA is mature (several years) ✘

Fee Structure Options

#1: Different Fees Municipal & Ag

Step 1: Allocate total annual cost (budget) to ag and municipal EITHER by a 90/10 split (from MCWRA published data) OR by estimated extraction - ag water use estimated using Ag Commissioner and CIMIS ET data. Municipal use is reported.

Step 2: Municipal Users - Determine parcel charges for tax roll OR hand bill based on # connections.

Step 3: Agricultural Users – Determine parcel charges for tax roll based on number of irrigated acres.

#2: Based on Pumping

Step 1: Every well (active & standby/inactive) gets same annual base charge; exclude properties not part of a ranch and not served by a water system smaller than 2.5 acres to exclude de minimus users.

Step 2: Municipal well owners and agricultural well owners providing pumping data pay per acre foot extracted.

Step 3: Well owners unwilling to share pumping data pay an additional flat charge based on GSA-estimated use using Ag Commissioner and CIMIS ET data.

Step 4: Fees would be applied to parcel the well is located on to be put on tax roll unless parcel served by a water system that provides service connection data (fees could be applied to tax roll based on $ due each system by # connections). Hand bill if well location not known.

#3: Based on Acreage

Every parcel using groundwater pays a charge per acre regardless of land use. Parcels less than 2.5 acres where a water connection exists or is available from a water system pays a minimum charge regardless of actual acreage. Properties not served by a water system or where a water connection is unavailable pay if the property is greater than 2.5 acres; any smaller parcel is assumed a de minimus user and does not pay a fee.

Fee Options Benefits and Drawbacks

Approach	Achieves	Benefits	Considerations and Drawbacks
#1 Different Fees for Municipal & Ag	Only ground-water users pay; allows for different fee structure for muni & ag; accounts for how much water is used by muni & ag	Can be achieved with current available data sets; excludes de minimus extractors; predictable revenue stream; easily enforceable	Requires water systems to provide GIS data to determine which parcels receive water system water service OR billed directly based on # connections; requires all parties agree to 90% ag / 10% muni. cost split for Step 1 OR Ag has to be comfortable with ET values applied to grouped crop types
#2 Based on Pumping	Only ground-water users pay; accounts for how much water is used by muni & ag; users charged same way	Gives (agriculture) groundwater users choice to report; inactive/standby wells pay something; should exclude de minimus extractors	Pumping self reporting; Requires water systems to provide GIS data to determine which parcels receive water system water service; higher administrative cost than #1, especially first year to set up; every year pumpers have to submit use reports to two agencies; greater chance of revenue fluctuation; Ag has to be comfortable with ET values applied to grouped crop types for flat charges if do not share pumping; Well data from DWR & Env. Health not correlating (data accuracy concerns); *may require a majority protest adoption to continue this fee after the GSP is complete.*
#3 Based on Acreage	Only ground-water users pay	Most administratively easy; Predictable revenue stream; should exclude de minimus users; easily enforceable	Requires water systems to provide GIS data to determine which parcels receive water system water service; Equity concern not all property uses same amount of water – there is no consideration in fee determination how much water is used by each parcel

Other Stakeholder Ideas / Input

- Fee based on maximum output of well (fee tiers based on well size)
  - *Available current data sets will not allow for this – too many data gaps*
- Fee credit if property is contributing back to water supply. For example, agricultural wash facilities' water is recycled and supplied to properties to combat seawater migration.
  - *Probably better addressed at the project stage, not for administrative fee*
- The environment should be allocated a portion of costs. For example, riparian open space should contribute toward the cost.
  - *Probably better addressed at the project stage, not for administrative fee*

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Hypothetical Fee Calculations

Fee Magnitude

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GSA Budget

Expenses approximately $1 Million / Year = Fee Revenue Needed

GSA Executive Committee/Board to decide on budget for fee

- Administrative Services
- Groundwater Sustainability Plan
- Legal & Professional Services
- Board Stipend
- Supplies & Miscellaneous
- Repayment of first 2 years of contributions

Fee structure will allow for increases based on an escalator

- Use the Bay Area CPI (consistent with Monterey County)
- Not automatically applied – requires annual review by Board

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Approach #1

Step 1	Total Cost	$1,000,000	
	Agriculture	**$900,000**	90%
	Municipal	**$100,000**	10%
Step 2	Municipal	$100,000	
	Number Connections	50,000	Approx. needs refining!
	Cost per Connection	**$2.00**	
Step 3	Agriculture	$900,000	
	Irrigated Acres	186,000	Approx. needs refining!
	Cost per Irrigated Acre	**$4.84**	

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Approach #2

Step 1	Total Number of Wells	1,500	Approx. needs refining!
	Total Cost	$1,000,000	
	Percentage in Minimum Charges	30%	
	Cost in Minimum Charges	$300,000	
	Minimum Charge per Well	**$200.00**	
Step 2	Remaining Cost	$700,000	
	Pumping (Acre Feet)	454,000	Approx. needs refining!
	Charge per Acre Foot	**$1.54**	

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Approach #3

Step 1	Number of acres served by water system and not by water system if >2.5 acres	216,000	Approx. needs refining!
	Total Cost	$1,000,000	
	Percentage in Minimum Charges	30%	
	Cost in Minimum Charges	$300,000	
	Minimum Charge per Parcel	**$1.39**	
Step 2	Remaining Cost	$700,000	
	Estimated Acres served by water systems less acreage of parcels <2.5 acres in water systems	30,000	Approx. needs refining!
		16,500	Approx. needs refining!
	Estimated Acres irrigated by Ag	186,000	Approx. needs refining!
	Net Acres	199,500	
	Estimated Cost per Acre	**$3.51**	
	Est. Parcel Charge for Properties <2.5 acres served by water system	**$1.39**	
	Est. Acreage Charge for all other properties excl. those <2.5 not on water system	**$4.90**	

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Fee Comparison: Agriculture Examples

Assumptions		
Number of Wells	1	
Crop Acreage	10	acres
Small Vegetables	2	acre feet per acre
Annual Water Extraction	20	acre feet per year

State Fees	$110.00	per acre per year
#1	$4.84	per acre per year
#2	$23.08	per acre per year
#3	$4.90	per acre per year

Assumptions		
Number of Wells	2	
Crop Acreage	80	acres
Strawberries	2.15	acre feet per acre
Annual Water Extraction	172	acre feet per year

State Fees	$90.00	per acre per year
#1	$4.84	per acre per year
#2	$5.81	per acre per year
#3	$4.90	per acre per year

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Fee Comparison:
Single Family Home Example

Assumptions

Municipal Water Provider		Castroville CSD
Lot Size	0.20	acres

State Fees - unknown - passed on by water provider

	ANNUAL FEE
#1	$2.00
#2	$0.97
#3	$1.39

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Ranking Exercise

- Ranking table distributed to each Board and Advisory Committee member (37)
- Tables to be collected and points tallied
- Ranking results provided

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Criteria Descriptions and Weighting Worksheet		
Criteria	**Description**	**Weighting**
Equity	How well does the fee capture users of the groundwater and spread the costs equitably?	50%
Enforceability & Reliance on Data	How easy is it for the SVBGSA to enforce the fee? How often is the data updated? How reliable is it?	20%
Simplicity	How easy is the fee to explain to the public?	10%
Revenue Stability / Predictability	How predictable is fee revenue given the fee structure?	10%
Administrative Ease	How challenging is it to determine the fee each year and send to the auditor?	10%
	Total	**100%**

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September 13, 2018

Joint Meeting of SVBGSA Board and Advisory Committee

Fee Study Approaches Ranking Matrix Results

Approach	Points	% of Points	Rank
1	107	46%	1
3	71	30%	2
2	57	24%	3

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Next Steps

Following public workshops, need Board direction and approval:

- Annual budget for fee calculation
- Fee methodology

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APPENDIX C

OCTOBER 11, 2018 PRESENTATION TO THE SVBGSA BOARD OF DIRECTORS

Salinas Valley Basin Groundwater Sustainability Agency (GSA)

Fee Study

Oct 11 Board Meeting

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Public Workshops Summary

Attendance

Soledad	Castroville	Salinas	King City
16	15	27	14

- Castroville and King City good representation of small water systems
- Soledad, Salinas and King City good representation of agriculture
- No concerns about the level of the fee today, but concerns it could escalate dramatically in the future
- Received some comments, but not a major concern that non-ag users would have the same fee per connection regardless of land use under Option 1 (made by larger water systems)
- Option 3 is not equitable (comments from small water systems)
- An extraction fee is not feasible now but should remain an option for the future when it is feasible
- Some concern de minimus users will not have a fee

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Public Workshops Questions Raised

- Can there be a sunset or cap set on the fee?

  The GSA will need some form of on-going operational revenue, so a sunset or cap should only be set if an alternative source is identified and secured

- Can there be a hybrid of options 1 and 3; particularly, can there be a minimum fee under option 1?

  Adds complexity, equity would have to be evaluated. Could add a step to establish a minimum fee before the cost split in Step 1

- Would recycled water customers be charged the fee?

  The fee is applied to customers / properties using groundwater. Some of those customers may also be using recycled water. An exclusive user of recycled water will not be charged the fee for recycled water; however, the property may use both gw and recycled water, in which case the fee (for gw only) will apply.

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Public Workshops Questions Raised

- Will industrial users such as oil extractors & golf courses be charged the fee?

  Yes – per connection under Option 1; per acre under Option 3

- Are there any exemptions to paying the fee and how are environmental uses treated?

  Applicable at project level; difficult to identify and assess a fee on environmental users. For this fee every gw user except de minimus users pays.

- Why isn't potential litigation cost included in the annual budget?

  No looming litigation now; may be a consideration in future budgets

- How is agricultural property that uses water provided by a water system charged the fee?

  Per irrigated acre; the connection is deducted from the water system number of connections

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September 13, 2018

Joint Meeting of SVBGSA Board and Advisory Committee

Fee Study Approaches Ranking Matrix Results

Approach	Points	% of Points	Rank
1	107	46%	1
3	71	30%	2
2	57	24%	3

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Direction to Fee Consultant

- Bring greater detail of Options 1 and 3 back to the Board October 11
  - Cost allocation method between ag & other users for Option 1; including consideration of return flow
  - Clarification on Option 3
- Further consideration of impacts to Disadvantaged Communities
- Greater description of how revenue will be collected

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Common to Both Options 1 and 3

- **Only groundwater users pay**
- **Achievable with available data sets**
- **Exclude de minimus extractors**
- **Predictable revenue stream**
- **Enforceable**

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Option 1: Irrigated Acre Fee (Agriculture)
Connection Fee (All Other Users)

Step 1: Allocate total annual cost (budget) between Group A (Agriculture) & Group B (All Other Users)

- Percentage split such as 90/10

  Methodology could be from MCWRA published data (gross pumping) OR another methodology that accounts for net water use (return flow)

Step 2: Agriculture Fee Calculation

- Use mapping software (GIS) to determine irrigated acres
- Divide allocated cost by total # irrigated acres

Step 3: All Other Users Fee Calculation

- Use Environmental Health OR Water Systems' provided data to determine # connections
- Divide allocated cost by total # connections

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Option #1 Fee Calculation DRAFT

Connection Fee / per Irrigated Acre Fee Hybrid

	Agriculture / Other Users Split		***90 / 10***	
Step 1	Total Cost	a	$1,200,000	
	Agriculture	**b = a*% to ag**	**$1,080,000**	
	Municipal	**c = a-b**	**$120,000**	
Step 2	Agriculture	d = b	$1,080,000	
	Irrigated Acres	e	186,000	Needs refining!
	Cost per Irrigated Acre per Year	**f = d/e**	**$5.81**	
Step 3	All Other Users	g = c	$120,000	
	Number Connections	h	50,000	Needs refining!
	Cost per Connection per Year	**i = g/h**	**$2.40**	

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Option 3: Acreage Fee (Ag. & Water System Parcels >2.5 Ac.) Parcel Fee (Water System Parcels <2.5 Ac.)

Step 1: Group properties using pumped groundwater

- Use mapping software (GIS) to identify properties & calculate acres
  - Group A parcels with acres <2.5 acres served by a water system
  - Group B all other parcels

Step 2: Calculate minimum fees for all fee-payers

- Multiply total cost (budget) by % to be collected in minimum fees
- Divide minimum fee cost by total acres (Group A + Group B)
- This is Group A's annual fee

Step 3: Calculate additional fees for Group B

- Divide remaining cost by Group B total acres
- Group B's fee is the minimum fee plus additional fees

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Option #3 Fee Calculation DRAFT

Parcel Fee / Acreage Fee Hybrid

Step 1	Number of acres served by water systems	a	30,000	Needs refining!
	Irrigated Acres	b	186,000	Needs refining!
	Total Acres Charged Minimum Fees	**c = a+b**	**216,000**	
Step 2	Total Cost	d	$1,200,000	
	Percentage in Minimum Fees	**e**	**50%**	
	Cost in Minimum Fees	f = d*e	$600,000	
	Minimum Fee per Acre	**g = f/c**	**$2.78**	
Step 3	Remaining Cost	h	$600,000	
	Total Acres Charged Minimum Fees	i = c	216,000	Needs refining!
	less acreage of parcels <2.5 acres in Water Systems	j	16,500	Needs refining!
	Net Acres	k = i-j	199,500	
	Estimated Fee per Acre	**l = h/k**	**$3.01**	
	PER ACRE FEE if Served by Water System and >2.5 ac., PER ACRE FEE per Irrigated Acre	**m = g+l**	**$5.79**	
Step 4	Cost Share for Parcels charged the Parcel Fee	n = j*g	$45,833	
	Number of Parcels <2.5 acres served by Water System	o	52,000	Needs refining!
	PARCEL FEE if Served by Water System and <2.5 acres	**p = n/o**	**$0.88**	

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Illustration of Fees for Properties with Connection to a Water Service

Multi-Family Apt complex = 1.4 acres

Option 1: $2.40

OR

Option 3: $0.88

Community Center = 2.8 acres

Option 1: $2.40

OR

Option 3: $16.21

Home 0.3 ac.
$2.40 **OR**
$0.88

City Park = 0.6 acres

$2.40 **OR** $0.88

Office building = 1 acre

Option 1: $2.40 **OR**

Option 2: $0.88

Ag. Wash Facility = 4.8 acres

Annual Fee

Option 1: $2.40

OR

Option 3: $27.79

Illustration of Fees for Agriculture

All irrigated acres pay the same per acre under option 1 and the same per acre under option 3

Strawberries = 15 Acres	**Row Crops = 15 Acres**	**Vineyard = 15 Acres**
Annual Fee	**Annual Fee**	**Annual Fee**
Option 1 = $87.15	Option 1 = $87.15	Option 1 = $87.15
Option 3 = $86.85	Option 3 = $86.85	Option 3 = $86.85

Fee Options Benefits and Drawbacks

Option	Benefits	Considerations and Drawbacks
#1 Connection Fee / per Irrigated Acre Fee Hybrid	• Different fee structure for agriculture and other land uses • Accounts for difference in water use	• Requires agreement on percentage cost split for Step 1 (could fluctuate year to year) OR complicated & potentially contentious calculation of use incorporating return flow. • Equity concern not all municipal and other land uses have same water requirements but pay same connection fee.
#3 Parcel Fee / Acreage Fee Hybrid	• All fee calculations independent of water system data (still need service boundaries)	• All properties using groundwater pay the same per acre regardless of land use (equity concern). • Needs basis for acreage threshold and methodology to determine how much revenue is collected in minimum fees; can be set so that cost allocation mimics step 1 under Option 1 (90% agriculture).

Fee Collection

Collection Vehicle	Option 1	Option 3
Fee Collected with Property Taxes	All irrigated acres (data source – Assessor); Properties served by water systems 2-14 connections and properties served by larger water systems that provide connection data annually (data source – water provider)	All irrigated acres (data source – Assessor); All properties served by water systems (data source – Assessor & Dep't of Water Resources)
Direct Bill mailed by GSA	Water systems 15+ connections that do NOT provide connection data annually *Optional* – Available to all water systems (data source – Environmental Health OR water provider)	*Optional* – Available to all water systems (data source – Assessor & Dep't of Water Resources)

Fee Revisions

- SVBGSA Board has ability to revise the fee whenever needed by following procedures in the California Constitution

- Recommend annual fee review with consideration of:
  - Budget projection
  - Potential application of Bay Area CPI (consistent with Monterey County)
  - Updating fee methodology or changing the base data set(s) upon which annual fees are calculated due to changes in access to data (different sources, better accuracy and so forth)

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Timing of Revenues

- Revenues from fees placed on property tax bills disbursed to SVBGSA December, April, and May
- Direct bills mailed June 1, 2019
  - Need to establish when bills are due
  - Can bills be paid in two installments
  - Delinquent bills can be submitted to Auditor-Controller to be collected with property taxes if the water system itself owns property
- Timing of receipt of revenue may require short term funding mechanism ("dry period loan")

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Option 1, Step 1: Cost Allocation

Monterey County Water Resources Agency Data

- *Collected from extractors with 3"+ discharge pipes*
- *Different service territory (excl. Paso Robles basin to the County line; includes other GSA areas such as Greenfield and Marina Coast)*

Year	Total Pumping	Agriculture Pumping	Ag. as % of Total Pumping
2011	448,584	404,110	**90.1%**
2012	489,240	446,619	**91.3%**
2013	508,205	462,873	**91.1%**
2014	524,487	480,160	**91.5%**
2015	514,714	478,113	**92.9%**
Avg. Annual	**497,046**	**454,375**	**91.4%**

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Return Flow

Agriculture

- Could be calculated by applying evapotranspiration rates to crop types to estimate water use and comparing to pumped data – **issues:** effort / resources to calculate, crop rotations validity of ET rates applied, accounting for different geographies (different ET rates for same plant type); how to handle CSIP customers (only portion of water used is gw)

Other Users

- **Municipal:** Could apply return flow estimates (percentages) by land use – **issues:** effort/resources to calculate; developing local data entails computation working with water & wastewater providers; doesn't account for water conservation activities in one area over another; some water is recycled to agriculture
- **Industrial:** May be unique users that need special studies by hydrologist; for example, oil fields return flow

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Disadvantaged Communities / Low-Income Households

Not an issue at any public workshop once the level of the fee was understood.

- Can be established separately by resolution; not a critical decision at this time

Considerations

- Qualifying Process – need third party verification, cost could be greater than the fee
- Regulatory Fee – may be legal to have discounts if can demonstrate reasonable relationship and rough proportionality for all payees
- If water providers pay directly (do not put fees on property tax bill for their customers), may be potential relief not requiring any SVBGSA action

Recommendations

Developed with SVBGSA Staff

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Determine Budget for Fiscal Year 2019/20 Fee

RECOMMENDATION: BASE THE FEE ON $1.2 MILLION & WAIT UNTIL GSPs ARE COMPLETE TO COMMENCE INITIAL MEMBER CONTRIBUTION REIMBURSEMENTS

- Agency is in infancy; better to wait to have good handle on annual expenses and cash flow
- Fee levels will be evaluated annually; Board could start reimbursements sooner, such as after the first GSP is complete, if deemed prudent at that time

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Select Fee Methodology

RECOMMENDATION: SELECT OPTION 1 AS A GROUNDWATER USE FEE (A REGULATORY FEE UNDER SGMA) & DOCUMENT ITEMS IN THE FEE REPORT THAT SHOULD BE PERIODICALLY REVISITED

- Option 1 greatest equity between groundwater users
- Option 1 simplest to calculate and collect
- Option 1 easiest to understand
- Step 1 cost split start at 90/10
  - Based on established local data source
  - Can be updated easily
- Imperfections can be corrected over time with annual reviews
- Keep the door open on items such as working toward an extraction based fee, low-income discount, and return flow calculations

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